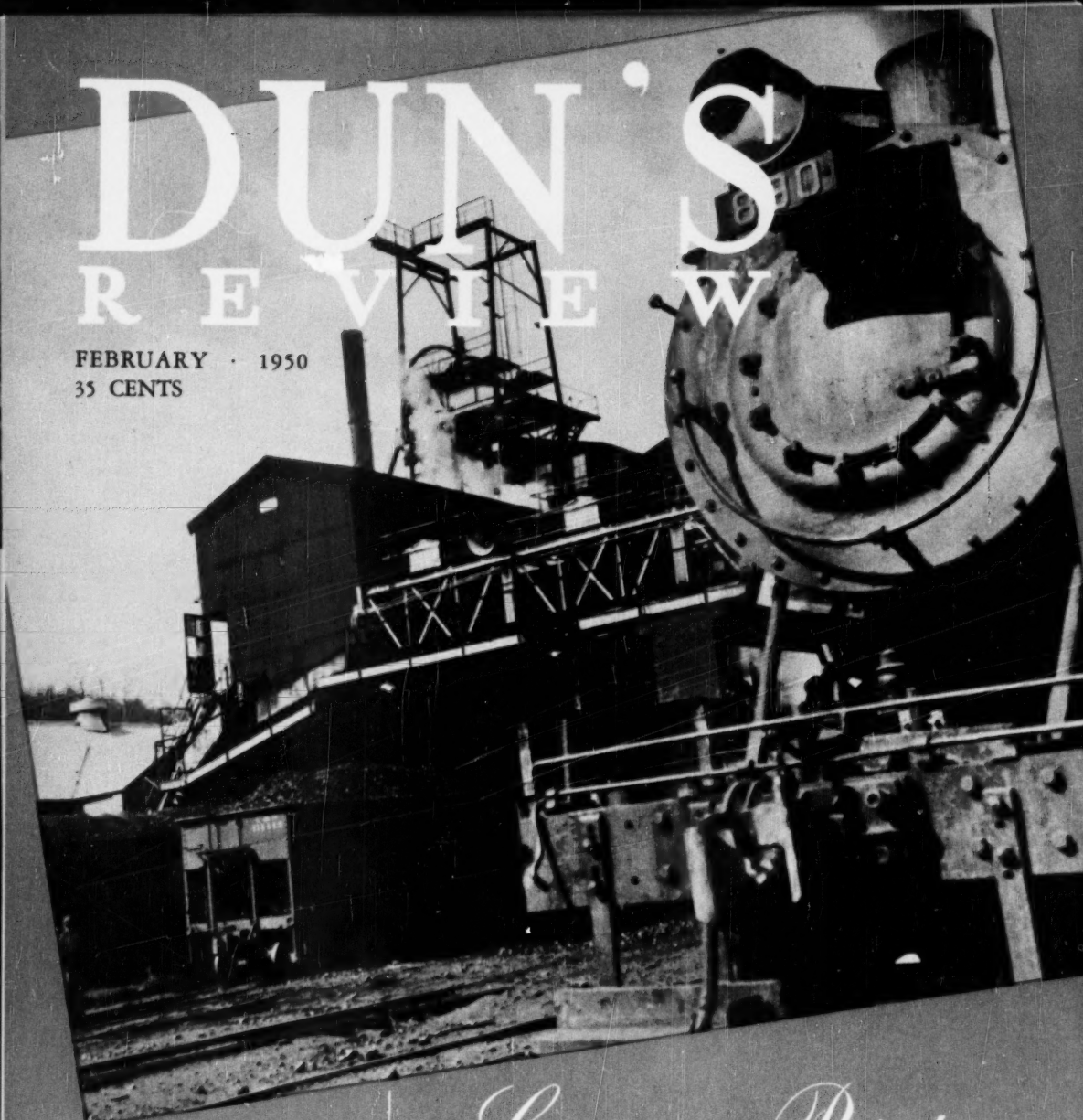


DUN'S REVIEW

FEBRUARY • 1950
35 CENTS



Compass Points OF BUSINESS

In this issue: Skyplanes for Business Men (page 22) the New Wage-Hour Law Provisions (page 26) Prices and Failures (page 19) Securocrats—a New Generation (page 24).

And in the quarterly feature "Compass Points of Business" (pages 5 to 12): impartial comments significant statistical series a general summary of what observers expect in 1950.

Published by DUN & BRADSTREET, INC.



Dear Vincent:

Your letter announcing the establishment of a New York office to handle the American contacts and accounts of your friends and associates in France is good news, and I congratulate you on your enterprise.


You are well schooled for this new venture, for you have learned the business thoroughly both at home and abroad, and can bring to your customers' problems many helpful suggestions and solutions. Selling is basically service, and this you can render agreeably and effectively.

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With every good wish, I am,

Sincerely yours,

Walter

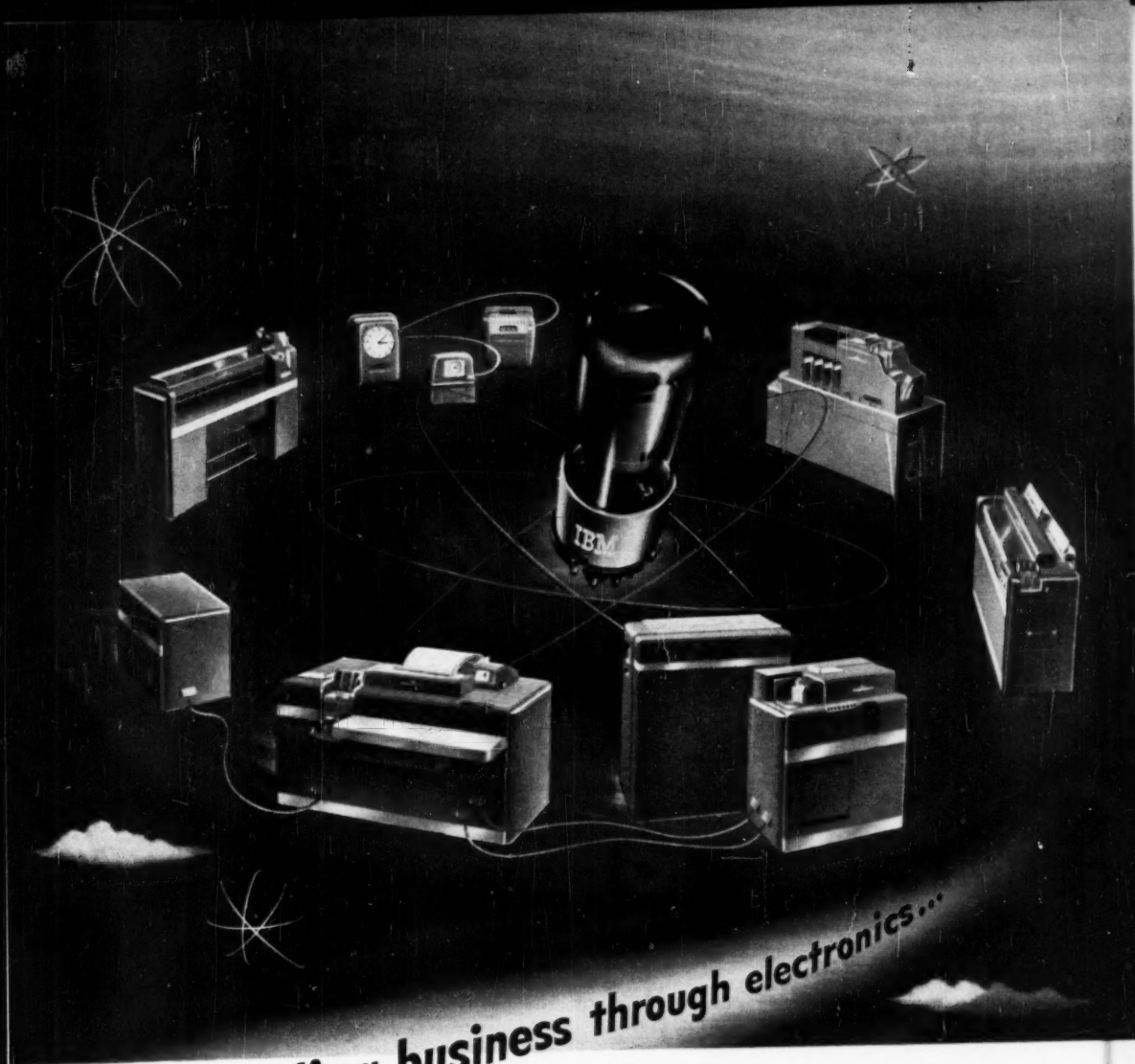


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DEPARTMENT OF THE ARMY INDUSTRIAL FACILITIES

FOR LEASE



AMMONIA & METHANOL PLANTS

SAN JACINTO ORDNANCE WORKS Houston, Texas

This Anhydrous Ammonia Plant is now in operation. Facilities newly completed. Capacity per month: 2,100 tons of anhydrous ammonia.

District Engineer, Galveston District

MORGANTOWN ORDNANCE WORKS Morgantown, West Virginia

Ammonia and Methanol Plant—Plant currently in ammonia production only. Capacity per month: 18,700 tons of anhydrous ammonia, or 4,000,000 gallons of refined methanol plus 5,000 tons of anhydrous ammonia.

Hexylamine—Capacity per month: 4,000,000 lbs. • Formaldehyde—Capacity per month: 5,200,000 lbs. Coke ovens not available.

District Engineer, Louisville District

SOLUTION PLANTS

JOLIET ARSENAL Joliet, Illinois

Solution Plant—Capacity per month: 28,000 tons of ammonium nitrate solution as 100% ammonium nitrate in the form of 82% to 85% solution. Nitric acid facilities for this production are also available.

District Engineer, Chicago District

INDIANA ARSENAL Charlestown, Indiana

Solution Plant—Capacity per month: 20,000 tons of ammonium nitrate solution as 100% ammonium nitrate in the form of 82% to 85% solution. Nitric acid facilities for this production are also available.

District Engineer, Louisville District

All leases will be consummated through competitive bids. Sealed bids for the lease of these facilities will be received at the office of the Division or District Engineer having jurisdiction. Detailed information, arrangements for inspections and bid forms may be obtained from the Real Estate Division of the Division or District in which each plant is located.

GRAINING PLANTS

RAVENNA ARSENAL Apco, Ohio

Capacity per month: 23,000 tons of grained ammonium nitrate.

District Engineer
Louisville District

IOWA ORDNANCE PLANT Burlington, Iowa

Capacity per month: 14,000 tons of grained ammonium nitrate.

Division Engineer
Missouri River Division

NEBRASKA ORDNANCE PLANT Mead, Nebraska

Capacity per month: 25,000 tons of grained ammonium nitrate.

Division Engineer
Missouri River Division

FOR SALE

OHIO RIVER ORDNANCE WORKS, HENDERSON, KY.

This Anhydrous Ammonia Plant, capacity 6000 tons per month, constitutes a part of the National Industrial Reserve and has been designated for disposal subject to the National Security Clause.

All facilities, equipment and machinery are in excellent condition. The plant is currently being operated by the Solvay Process Division

of Allied Chemical and Dye.

This plant is offered for sale under the provisions of Public Law 152-81st Congress, and is subject to priorities to other Federal Agencies.

Sale will be consummated through competitive bids. Sealed bids for the purchase of this facility will be received at the office of: District Engineer, Louisville District.

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Corps of Engineers
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Louisville 1, Kentucky



Compass Points

OF BUSINESS

FEBRUARY 1950 . SUPPLEMENT TO DUN'S REVIEW

GERARD SWOPE
570 LEXINGTON AVENUE
NEW YORK 22, N. Y.

January
19th
1950

MR. A. D. WHITESIDE, President,
Dun and Bradstreet, Inc.,
290 Broadway,
New York 8, N. Y.

Dear Arthur Whiteside:-

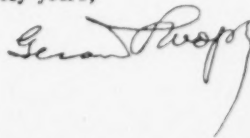
I have been particularly interested during the past year in the evolution of the indices of business conditions as developed in the "Compass Points".

During the early years of this century, the percent of capacity operations of steel mills was one of the important indices widely used by business men as an indication of general business conditions. In 1914 the Federal Reserve "ratio" became an important supplemental index as an indication of the strength of our banking system. I have followed for many years with great interest the weekly statement of kilowatt hour consumption of electricity throughout the country.

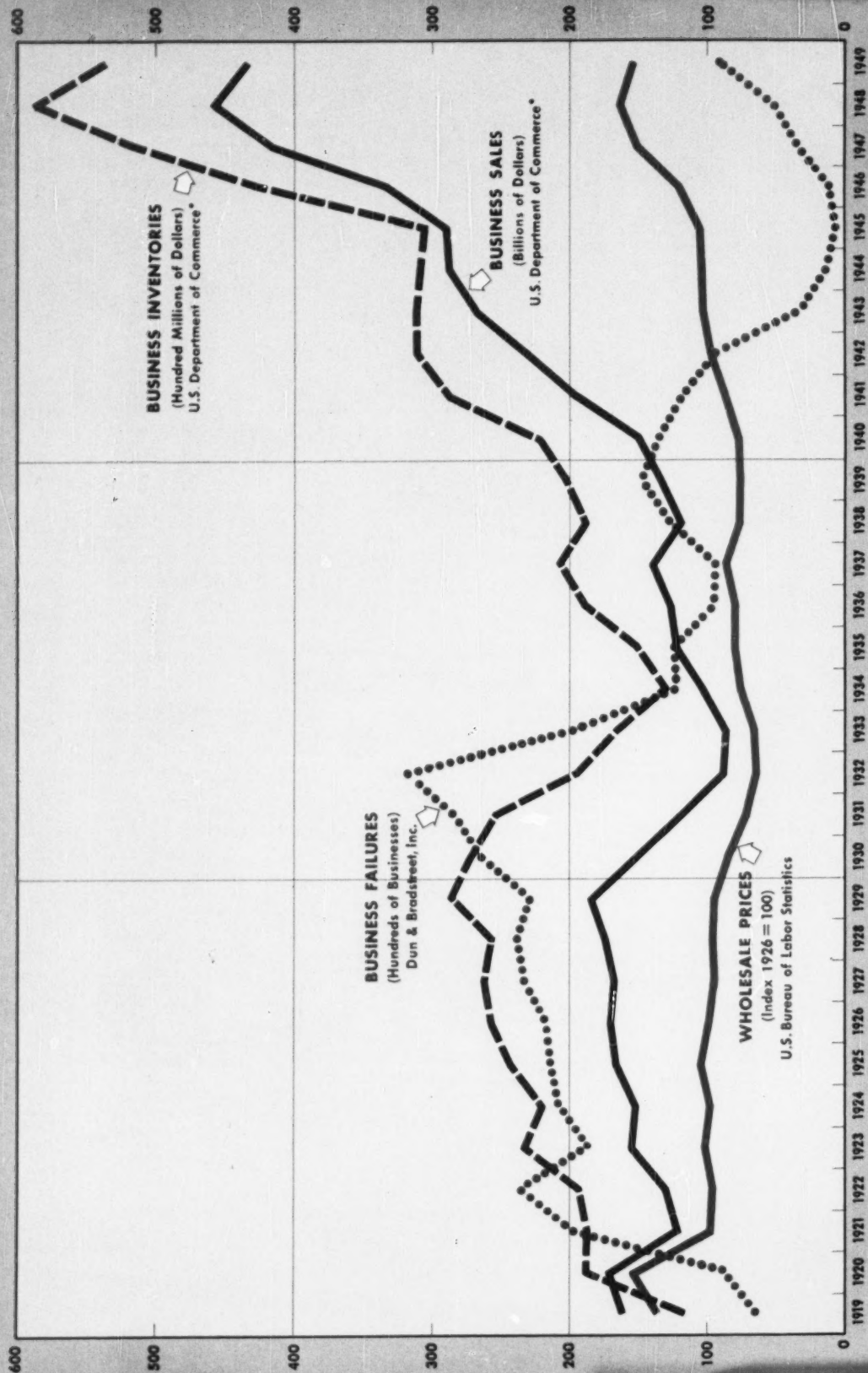
Today there are actually hundreds of business indices, in fact, so many that the typical business man is often bewildered by their very multitude. In the "Compass Points", however, there has been put together a concise presentation of a limited number of the essential series of business, financial, and national economic data which are of utility to most business men and can be interpreted by everyday plain common sense.

I think the graphs you have used are especially good and show in condensed form the expectations of business in the immediate future.

Sincerely yours,



SIGNIFICANT BUSINESS INDICATORS



* Figures for Business Sales and Inventories prior to 1935 are from Simon Kuznets' "National Income And Its Composition," their rise and fall are comparable with the rest. 1945 figures furnished by the U.S. Department of Commerce.

Reflections and Projections . .

It might be well to review the levels reached in 1949 and to evaluate the position which was achieved through the efforts of the American people last year. Despite all the expressed anxiety about readjustment and deflation during the first eight months of the year, activity in most of the key sectors of the economy for the year as a whole was very close to the peacetime peak levels established in 1948.

Civilian employment at 58.7 million persons was higher in 1949 than in any other year except 1948. More homes were completed in 1949 than in any other one year. The number of automobiles produced reached a new all-time record of 6,238,088 vehicles or 18 per cent more than in 1948. Hourly and weekly earnings of industrial workers rose to an unprecedented peak. Crop production was unusually high. The volume of retail sales was practically unchanged from the record of \$130 billion set in 1948.

Disposable personal income reached a new high of \$192.9 billion, but on a per capita basis it dipped slightly because the population rose faster than income. But even the lower per capita income enabled people to buy more goods than before because of an accompanying decline in retail prices.

The balance sheet for the year does not reflect what was happening at the end of the year. While the whole year generally could be considered one of the most prosperous in the history of the country, the direction in which the economy was moving at the end of 1949 was an important indication of what could be expected early in 1950.

A Path to the Future

As far back as the latter half of 1948 a number of business men became wary of carrying large inventories—especially in view of some dips in price levels. Large inventories can result in considerable losses if prices drop sharply. But price adjustments were gradual and orderly; business failures remained well below pre-war levels; and many business men learned through experience The Old Peddler's admonition, "You can't do business from an empty wagon!"

In the third quarter of 1949 business inventories rose after having declined during the first two quarters. The usual year-end dip in the final quarter reflected a very high demand for goods during the Christmas shopping season. Mark-down sales in January were limited and there were almost no signs of the scattered but sharp price reductions that marked the early part of 1949.

The absence of numerous or wide-spread mark-down sales lent some degree of stability to the price level and encouraged the placing of sizable orders for first and second quarter delivery. Further encouragement was drawn from the favorable consumer response to January promotions and from the bolstering effect that the \$2.8 billion veterans' insurance refund was expected to have on retail trade.

Total stocks of finished goods among manufacturers have not increased appreciably since the declines of last Summer. A rise in the volume of orders booked might well be expected to result in an increase in production levels. The confidence of business men in anticipating a continued high demand for their products is reflected in the very high level of business expenditures for plant and equipment planned for the first quarter of 1950—a level well above any that preceded World War II.

The demand for all products ultimately rests with the consumer, and his demand becomes effective only when it is backed by the ability to buy. In rather general terms this can be measured by employment, income, and credit.

It is usual for employment to decline during the Winter months each year and to reach a peak during the Summer. This is largely the result of changes in the demand for farm help. In the first half of 1949 total civilian employment rose slightly from month-to-month while in the final half there were moderate declines. However, these changes were affected by the number of farm workers.

Nonagricultural employment declined during the first half of the year as order volume and inventories were being curtailed. Increases then occurred during most of the remaining months and, in the final quarter, there was a gain of more than half a million nonagricultural workers.

It is likely that the increases which were reported in nonagricultural employment during the closing months of 1949 may continue to occur during the early months of 1950. So long as there is a need to replenish inventories and so long as new orders continue to be placed at the volume level of recent months, it is reasonable to expect that employment will be sustained at near-record levels.

Average weekly earnings of workers in selected manufacturing, wholesaling, and retailing lines rose steadily since the end of the war to reach a new peak in 1949. The slight ups and downs that were reported during 1949 were frequently the result of variations in the amount of overtime work that was scheduled.

Observers generally did not expect any reductions in wages at this time or any appreciable reduction in earnings as a result of further limitations on the amount of overtime

Gerrard Swope

WHOSE LETTER APPEARS ON THE "COMPASS POINTS" COVER in response to the acute cry for manpower during the war returned to the presidency of the General Electric Company, a position from which he had previously retired to become honorary president after more than 40 years of outstanding service with GE and Western Electric. During these years he learned through practical application the usefulness of statistical series. His knowledge of important business indexes was enhanced by such other activities as a member of the President's Advisory Council on Economic Security and the Advisory Council on Social Security, as a member of the Industrial Advisory Board of the NRA and of the first National Labor Board, and as the author of "Stabilization of Industry," often known as the "Swope Plan" and books and articles on a number of economic subjects.

		1	2		3		4		5		6		7		8		9		10		11		12	
		POPULATION	Total	EMPLOYMENT	Nonagricultural	Armed	UNEMPLOYMENT	HOURLY EARNINGS OF		INDUSTRIAL WORKERS		WEEKLY EARNINGS OF		INDUSTRIAL WORKERS		WHOLESALE		RETAIL						
		Millions	Civilian	Millions	Millions	Forces	Millions	Dollars	Index	Dollars	Index	Dollars	Index	Dollars	Index	Prices	Prices							
1914		99.1	37.6	11.4	26.2	...	...	223	35.2	11.01	46.4	68.1	...	...	...	...	...		
1919		105.1	42.0	10.5	31.5	...	...	477	75.4	22.08	93.3	138.6	...	...	...	...	...		
1920		106.5	41.3	10.7	30.6	...	...	555	87.7	26.30	111.1	154.4	...	...	...	...	...		
1921		108.5	37.7	10.8	26.9	...	...	515	81.2	22.18	93.7	97.6	...	...	...	...	...		
1922		110.1	40.0†	10.8†	29.2†	...	...	487	76.1	21.51	90.9	96.7	...	...	...	...	...		
1929		121.8	46.3	10.0	36.3	.3	1.5	566	89.4	25.03	104.9	95.3	120.9	...	...	...	...			
1930		123.1	44.2	9.9	34.3	.3	4.3	552	87.2	23.25	97.4	86.4	...	...	...	...	...		
1931		124.0	41.1	9.8	31.3	.3	8.0	515	81.4	20.87	87.5	73.0	...	...	...	...	...		
1932		124.8	37.7	9.7	28.0	.2	12.1	446	70.5	17.05	71.5	64.8	...	...	...	...	...		
1936		128.1	43.4	9.6	33.8	.3	9.0	556	87.8	21.78	91.3	80.8	98.9	...	...	...	...			
1937		128.8	45.3	9.4	35.8	.3	7.7	624	98.6	24.05	100.8	86.3	103.5	...	...	...	...			
1938		129.8	43.2	9.3	33.9	.3	10.4	627	99.1	22.30	93.5	78.6	101.1	...	...	...	...			
1939		130.9	44.9	9.3	35.6	.4	9.5	633	100.0	23.86	100.0	77.1	99.0	...	...	...	...			
1940		132.0	47.5	9.5	38.0	.4	8.1	661	104.4	25.20	105.6	78.6	100.6	...	...	...	...			
1941		133.2	50.4	9.1	41.3	1.5	5.6	729	115.2	29.58	124.0	87.3	108.3	...	...	...	...			
1942		134.7	53.8	9.3	44.5	3.8	2.7	853	134.8	36.65	153.6	98.8	124.9	...	...	...	...			
1943		136.5	54.5	9.1	45.4	8.9	1.1	961	151.8	43.14	180.8	103.1	134.0	...	...	...	...			
1944		138.1	54.0	9.0	45.0	11.3	.7	1,019	161.0	46.08	193.1	104.0	137.5	...	...	...	...			
1945		139.6	52.8	8.6	44.2	11.2	1.0	1,023	161.6	44.39	186.0	105.8	141.4	...	...	...	...			
1946		141.2	55.2	8.3	46.9	3.3	2.3	1,086	171.6	43.74	183.3	121.1	155.2	...	...	...	...			
1947		144.0	58.0	8.3	49.8	1.4	2.1	1,237	195.4	49.97	209.4	152.1	180.1	...	...	...	...			
1948		146.6	59.4	8.0	51.4	1.3	2.1	1,350	213.3	54.14	226.7	164.9	192.7	...	...	...	...			
1949		149.2	58.7	8.1	50.7	1.5	3.4	1,401	221.3	54.78	229.6	154.9	187.7	...	...	...	...			
'48 Quarterly	I	146.0	57.2	6.9	50.3	1.2	2.4	1,307	206.5	52.79	221.2	162.7	189.3	...	...	...	...			
	II	146.6	59.4	8.2	51.2	1.3	2.1	1,329	210.0	53.09	222.5	164.3	192.1	...	...	...	...			
	III	147.4	61.0	8.8	52.3	1.3	2.0	1,372	216.7	54.73	229.4	169.0	195.9	...	...	...	...			
	IV	148.1	59.8	8.0	51.8	1.4	1.8	1,396	220.5	55.78	233.8	163.8	193.6	...	...	...	...			
'49	I	148.6	57.4	7.1	50.4	1.5	3.0	1,402	221.5	55.15	231.1	159.0	190.0	...	...	...	...			
	II	149.2	58.7	8.8	49.9	1.5	3.4	1,403	221.6	54.13	226.9	155.7	188.6	...	...	...	...			
	III	149.9	59.7	8.8	50.9	1.5	3.7	1,405	222.0	55.02	230.6	153.4	186.9	...	...	...	...			
	IV	150.7	59.0	7.5	51.6	1.4	3.5	1,394	220.2	54.82	229.8	151.6	185.6	...	...	...	...			
		25	26	27	28	29	30	31	32	33	34	35												
		FEDERAL	FEDERAL	GROSS	CURRENCY	DEMAND	TURNOVER	LOANS OF	COMM'L	INDUSTRIAL	NATIONAL	DISPOSABLE												
		RECEIPTS	EXPENDITURES	FEDERAL	OUTSIDE OF	DEPOSITS	OF DEMAND	COMM'L	LOAN	STOCK PRICE	INCOME	PERSONAL												
		Million	Million	Debt	BANKS	ADJUSTED	DEPOSITS	BANKS	RATES	AVERAGES	PERCENT	INCOME												
		dollars	dollars	Billion dollars	dollars	dollars	Times	dollars	Per cent	dollars	Billion dollars	Billion dollars												
1914		735	735	1.2	1,533	10,082	...	13.2	...	81.03	33.9	33.2												
1919		5,152	18,515	25.5	3,593	17,624	...	22.4	5.73	99.78	68.2	63.5												
1920		6,695	6,403	24.3	4,105	19,616	37.3	28.1	6.58	90.04	69.5	66.3												
1921		5,625	5,116	24.0	3,677	17,113	32.2	26.1	6.68	73.48	51.7	52.3												
1922		4,109	3,373	23.0	3,346	18,045	31.1	24.7	5.53	93.17	59.5	57.0												
1929		4,033	3,299	16.9	3,557	22,809	40.5	36.0	5.83	311.24	87.4	82.5												
1930		4,178	3,440	16.2	3,605	20,967	33.8	32.0	4.85	236.34	75.0	73.2												
1931		3,190	3,652	16.8	4,470	17,412	28.6	25.2	4.30	138.58	58.9	63.0												
1932		2,006	4,535	19.5	4,669	15,728	23.9	20.1	4.71	64.57	41.7	47.3												
1936		4,116	8,666	33.8	5,516	25,483	22.4	16.4	2.68	162.25	64.7	66.1												
1937		5,029	8,177	36.4	5,638	23,959	22.4	17.1	2.59	166.36	73.6	71.1												
1938		5,855	7,239	37.2	5,775	25,986	19.9	16.4	2.53	132.44	67.4	65.5												
1939		5,165	8,707	40.4	6,401	29,793	19.4	17.2	2.10*	142.66	72.5	70.2												
1940		5,387	8,998	43.0	7,325	34,945	18.6	18.8	2.10	134.74	81.3	75.7												
1941		7,607	12,711	49.0	9,615	38,992	19.4	21.7	2.00	121.82	103.8	92.0												
1942		12,799	32,397	72.4	13,946	48,922	18.4	19.2	2.20	107.20	137.1	116.2												
1943		22,282	78,179	136.7	18,837	60,803	17.4	19.1	2.60	134.80	169.7	131.6												
1944		44,149	93,744	201.0	23,505	66,930	17.3	21.6	2.40	143.32	183.8	147.0												
1945		46,457	100,397	258.7	26,490	75,851	16.1	26.1	2.20	169.82	182.7	151.1												
1946		43,038	63,714	269.4	26,730	83,314	16.5	31.1	2.10	191.65	179.6	158.1												
1947		43,259	42,505	258.3	26,476	87,123	18.0	38.1	2.10	177.59	201.7	172.0												
1948		42,211†	36,791†	252.2	26,079	85,520	19.2	42.5	2.50	179.95	226.2	190.8												
1949		38,246	37,057	252.8	25,066	85,609	18.7	43.2	2.68	179.48	222.5	192.9												
'48 Quarterly	I	14,228	8,110	253.0	25,600	81,560	18.8	38.9	2.40	171.56	215.15	181.9												
	II	9,422	11,781	252.2	25,638	82,697	18.8	39.9	2.47	185.83	224.95	189.6												
	III	9,143	8,569	252.7	25,700	83,900	19.0	41.7	2.60	183.05	230.45	195.2												
	IV	8,655	9,102	252.8	26,079	85,520	20.4	42.5	2.64	179.37	234.35	196.2												
'49	I	12,395	9,235	251.6	25,100	81,100	19.0	42.4	2.70	176.70	226.35	194.9												
	II	8,052	10,149	252.8	25,100	82,500	18.6	41.0	2.74	171.75	223.45	193.8												
	III	9,863	11,014	256.7	24,900	83,300	18.1	41.8	2.63	177.84	222.55	191.9												
	IV	10,737	10,736	257.2	25,066	85,600	19.2	43.2	2.65	191.62	217.85	191.1												

* Series revised from this date on.

† Beginning in 1948 tax refunds were deducted from receipts and were not included among expenditures as had previously been done.

Sources and
DUN'S REVIEW

Unshaded quarterly figures are significant in the

13 CONSUMERS' PRICES Index	14 INDUSTRIAL PRODUCTION (PHYSICAL) Index	15 FREIGHT LOADINGS Thousand cars	16 FARM INCOME Million dollars	17 RETAILERS' SALES Million \$	18 INVEN- TORIES Million \$	19 WHOLESALE SALES Million \$	20 INVEN- TORIES Million \$	21 MANUFACTURERS' SALES Million \$	22 INVEN- TORIES Million \$	23 EXPORTS Million dollars	24 IMPORTS Million dollars		
71.8	62	...	6,050	...	...	...	...	...	...	2,071	1,789	1914
123.8	72	41,832	14,602	36,549	...	...	...	60,509	10,320	7,750	3,904	1919
143.3	75	45,120	12,608	41,364	...	...	...	63,659	12,906	8,080	5,278	1920
127.7	58	39,324	8,150	32,954	...	...	...	41,897	13,484	4,379	2,509	1921
119.7	73	43,212	8,544	34,007†	...	...	...	46,045†	10,705†	3,765	3,113	1922
122.5	110	52,824	11,296	48,459	7,298	37,814	4,024	70,262	12,775	5,157	4,399	1929	
119.4	91	45,876	9,021	41,989	...	...	3,497	57,017	11,265	3,781	3,061	1930
108.7	75	37,152	6,371	34,752	...	...	2,665	42,951	9,105	2,378	2,091	1931
97.6	58	28,176	4,743	25,013	...	...	2,307	30,774	7,332	1,576	1,323	1932
99.1	103	36,108	8,654	38,338	4,833	28,394	3,297	60,202	10,676	2,419	2,423	1936	
102.7	113	37,668	9,217	42,150	5,339	31,789	3,367	65,757	12,012	3,299	3,084	1937	
100.8	89	30,456	8,168	38,052	5,039	27,322	2,964	54,002	10,750	3,057	1,960	1938	
99.4	109	33,912	8,684	42,042	5,285	30,057	3,200	61,340	11,516	3,123	2,318	1939	
100.2	125	36,360	9,130	46,388	5,767	33,626	3,357	70,313	12,873	3,934	2,625	1940	
105.2	162	42,348	11,767	55,490	7,262	43,440	1,151	98,069	17,024	5,020	3,345	1941	
116.5	199	42,768	16,069	57,639	7,307	48,141	5,702	125,158	19,348	8,003	2,745	1942	
123.6	239	42,444	20,106	63,321	6,872	51,275	3,577	153,843	20,171	12,842	3,381	1943	
125.5	235	43,404	21,164	68,823	6,906	54,731	3,686	165,387	19,578	14,162	3,919	1944	
128.4	203	41,916	22,289	75,781	7,049	59,799	4,216	154,481	18,457	9,585	4,147	1945	
139.3	170	41,340	25,636	100,298	10,739	79,208	5,823	154,075	24,961	9,503	4,909	1946	
159.2	187	44,501	30,500	118,908	12,666	93,054	7,545	205,105	30,006	14,452	5,733	1947	
171.2	192	42,835	31,312	130,042	14,402	100,263	8,315	228,008	34,250	12,494	7,070	1948	
169.1	176	36,494	27,700	127,856	13,839	90,258	9,149	214,259	30,765	11,771	6,632	1949	
167.7	193	9,856	6,365	31,996	14,253	24,931	8,669	55,460	30,686	3,286	1,793	'48 Quarterly	I
170.5	191	10,912	6,631	32,457	14,349	25,340	8,926	56,659	32,211	3,205	1,693		II
174.2	190	11,247	8,547	32,940	14,877	25,641	9,581	58,527	33,380	2,906	1,715		III
172.4	194	10,820	9,768	32,649	14,969	24,477	9,511	57,691	34,066	3,094	1,868		IV
169.8	188	8,814	6,100	31,983	14,700	23,293	9,293	54,506	34,223	3,232	1,789	'49	I
169.5	174	9,862	5,600	32,191	14,182	22,638	9,002	53,374	33,250	3,300	1,601		II
169.0	168	9,062	7,202	31,940	14,422	22,436	9,151	54,679	31,356	2,664	1,502		III
168.2	171	8,756	8,798	31,742	13,839	21,891	9,149	51,700	30,600	2,575	1,740		IV

36 DISPOSABLE INCOME PER CAPITA 1948 Dollars	37 PERSONAL SAVINGS 1948 Dollars	38 PERSONAL SAVINGS CREDIT Outstanding Billion dollars	39 CONSUMER CREDIT Outstanding Billion dollars	40 CORPORATE PROFITS AFTER TAXES Billion dollars	41 ADJUSTED FOR INVENTORY Billion dollars	42 EXPENDITURES FOR PLANT & EQUIPMENT Billion dollars	43 BUILDING PERMITS 120 Cities Million \$	44 COMMERCIAL & IN- DUSTRIAL FAILURES Number Businesses	45 LIABILITIES Million \$	46 NAMES IN REFERENCE BOOK Businesses		
335	799	3.4	...	...	...	...	735	18,280	357.9	1,655,496	1914
604	835	10.8	...	5.7	...	...	1,181	6,451	113.3	1,710,909	1919
627	749	9.0	...	3.9	...	...	1,256	8,881	295.1	1,821,409	1920
487	653	2.3	...	0.0	...	...	1,493	19,652	627.4	1,927,304	1921
518	741	5.0	...	3.9	...	...	2,312	23,676	623.9	1,983,106	1922
678	947	3.7	7.6	8.4	8.9	9.2	2,490	22,909	483.3	2,212,779	1929	
599	859	2.9	6.8	2.5	5.8	7.6	1,408	26,355	668.3	2,183,008	1930	
508	800	1.8	5.5	-1.3	1.1	4.7	1,006	28,285	736.3	2,125,288	1931	
383	672	-1.4	4.1	-3.4	-2.4	2.6	336	31,822	928.3	2,076,580	1932	
516	891	3.6	6.8	4.3	3.6	5.1	804	9,607	203.2	2,009,935	1936	
552	920	3.9	7.5	4.7	4.7	6.7	940	9,490	183.3	2,056,598	1937	
505	857	1.0	7.0	2.3	3.3	4.5	966	12,836	246.5	2,101,933	1938	
536	923	2.7	8.0	5.0	4.3	5.2	1,029	14,768*	182.5*	2,116,008	1939	
574	981	3.7	9.1	6.4	6.3	6.5	1,104	13,619	166.7	2,156,450	1940	
691	1,125	9.8	9.9	9.4	6.8	8.2	1,196	11,848	136.1	2,170,615	1941	
866	1,273	25.4	6.5	9.4	8.2	6.1	644	9,405	100.8	2,151,549	1942	
970	1,344	30.0	5.3	10.6	9.8	4.5	419	3,221	45.3	2,023,007	1943	
1,064	1,451	35.4	5.7	10.8	10.5	5.2	709	1,222	31.7	1,855,033	1944	
1,082	1,443	28.0	6.6	8.5	7.9	6.6	1,028	809	30.2	1,909,095	1945	
1,120	1,376	10.3	10.1	13.9	8.7	12.0	2,089	1,129	67.3	2,141,807	1946	
1,194	1,284	5.1	13.4	19.1	13.1	16.2	2,470	3,474	204.6	2,409,845	1947	
1,302	1,302	12.0	15.9	21.2	19.0	19.2	3,111	5,250	234.6	2,555,182	1948	
1,292	1,308	14.4	18.8	16.7	19.4	18.2	3,131	9,246	308.1	2,684,840	1949	
1,248§	1,273§	6.7§	13.5	20.2§	15.7§	4.2	688	1,250	56.1	2,495,999	'48 Quarterly	I
1,296§	1,301§	10.8§	14.3	21.3§	19.3§	4.8	863	1,293	41.3	2,555,182		II
1,328§	1,305§	15.0§	14.8	22.2§	18.9§	4.8	855	1,257	56.0	2,594,067		III
1,328§	1,319§	15.3§	15.9	20.9§	22.1§	5.4	706	1,450	81.3	2,641,286		IV
1,314§	1,325§	16.3§	14.9	17.9§	20.2§	4.5	639	2,098	83.9	2,660,250	'49	I
1,301§	1,314§	14.8§	16.1	15.8§	20.3§	4.7	857	2,480	84.7	2,684,840		II
1,283§	1,300§	13.3§	16.5	14.7§	20.5§	4.6	831	2,261	73.6	2,697,411		III
1,271§	1,294§	13.1§	18.8	16.1§	16.7§	4.4	804	2,407	65.9	2,706,886		IV

information on a later page.
REMARKS: 1950, PAGES 8 AND 9

§ Annual rate seasonally adjusted.

* Figures for this and prior dates are from another source and are not strictly comparable with later data.

range or lack of change from previous levels.

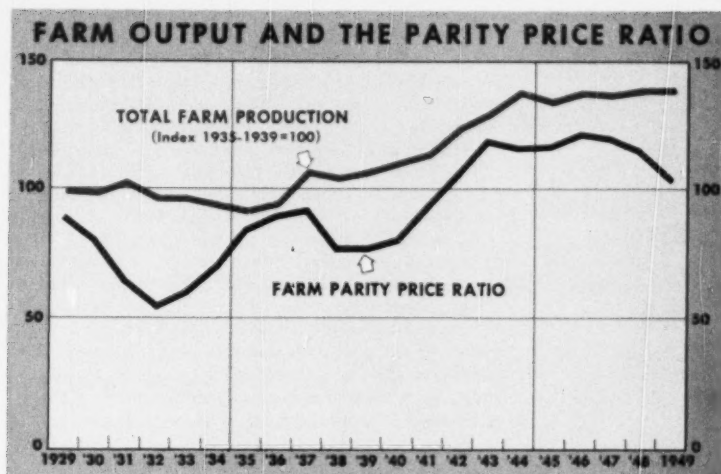
COMPARATIVE FIGURES FOR SELECTED PERIODS

PER CENT CHANGE

Years: 1949
from 1939

Fourth
Quarters:
1949
from 1948

			MONTHLY FIGURES						
				July	Aug.	Sept.	Oct.	Nov.	Dec.
+ 30.7	- 1.3	Employment, Civilian <i>Million persons</i>	{ 1947 1948 1949	60.1 61.6 59.7	59.6 61.2 59.9	58.9 60.3 59.4	59.2 60.1 59.0	58.6 59.9 59.5	58.0 59.4 58.6
- 64.2	+94.4	Unemployment <i>Million persons</i>	{ 1947 1948 1949	2.6 2.2 4.1	2.1 1.9 3.7	1.9 1.9 3.4	1.7 1.6 3.6	1.7 1.8 3.4	1.6 1.9 3.5
+ 191.6	- 2.9	Personal Income <i>Billion dollars</i>	{ 1947 1948 1949	193.0 214.4 209.7	190.9 215.4 211.4	206.0 216.3 210.5	200.0 216.3 208.4	200.9 216.6 209.7	204.3 217.0 211.9
+3113.9	+ 3.2	U. S. Savings Bonds Outstanding <i>Billion dollars</i>	{ 1947 1948 1949	51.6 54.6 56.5	51.7 54.7 56.5	51.8 54.8 56.6	51.9 54.9 56.7	50.0 54.9 56.7	52.1 55.0 56.7
+ 108.3	+13.3	Consumer Credit Outstanding <i>Billion dollars</i>	{ 1947 1948 1949	11.5 14.7 16.2	11.5 14.9 16.5	11.9 15.2 16.8	12.3 15.5 17.2	12.9 15.7 17.8	13.7 16.3 18.8
+ 121.3	- 0.1	Hourly Earnings of Industrial Workers <i>Dollars</i>	{ 1947 1948 1949	1.249 1.356 1.408	1.255 1.373 1.399	1.267 1.386 1.407	1.274 1.390 1.392	1.285 1.397 1.389	1.295 1.400 1.409
+ 129.6	- 1.7	Weekly Earnings of Industrial Workers <i>Dollars</i>	{ 1947 1948 1949	49.84 53.97 54.63	50.07 55.06 54.70	51.31 55.16 55.72	51.72 55.60 55.26	52.17 55.60 54.45	53.48 56.14 54.75
+ 224.4	- 8.8	Business Sales <i>Billion dollars</i>	{ 1947 1948 1949	34.7 38.5 34.8	34.1 39.2 37.3	35.9 39.4 37.3	36.9 38.0 34.7	36.0 38.6 35.7	37.0 38.2 34.3
+ 178.7	- 7.5	Business Inventories <i>Billion dollars</i>	{ 1947 1948 1949	48.9 56.2 55.3	49.4 56.8 54.6	49.8 57.8 54.6	50.3 58.2 54.5	50.8 58.6 54.1	51.7 58.5 53.6
+ 61.5	-11.2	Physical Production Index <i>Adjusted 1935-1939=100</i>	{ 1947 1948 1949	176 186 161	182 191 170	186 192 174	191 195 166	192 195 173	192 192 178
+ 7.6	-19.1	Freight Carloadings <i>Million cars</i>	{ 1947 1948 1949	3.3 4.2 3.4	4.6 3.6 2.9	3.6 3.5 3.3	4.7 4.6 2.4	3.5 3.3 2.6	3.2 3.3 3.1
+ 204.3	+13.9	Building Permits, 120 Cities <i>Million dollars</i>	{ 1947 1948 1949	223 275 241	227 296 279	245 284 311	261 247 310	228 230 245	255 228 249
+ 100.9	- 7.4	Wholesale Price Index <i>1926=100</i>	{ 1947 1948 1949	150.6 168.8 153.6	153.7 169.8 153.0	157.4 168.9 153.7	158.5 165.4 152.2	159.6 164.0 151.6	163.2 162.4 151.1
+ 70.1	- 2.4	Consumers' Price Index <i>1935-1939=100</i>	{ 1947 1948 1949	158.4 173.7 168.5	160.3 174.5 168.8	163.8 174.5 169.6	163.8 173.6 168.5	164.9 172.2 168.6	167.0 171.4 167.5
+ 25.8	+ 6.8	Industrial Stock Price Average <i>Dollars</i>	{ 1947 1948 1949	183.51 187.05 173.34	180.98 181.77 179.24	176.82 180.33 180.93	181.92 185.19 186.47	181.42 176.60 191.61	179.18 176.31 196.78
- 37.4	+66.0	Commercial and Industrial Failures <i>Number</i>	{ 1947 1948 1949	297 420 719	287 439 810	292 398 732	336 459 802	313 460 835	317 531 770
+ 68.8	-18.9	Liabilities of Business Failures <i>Million dollars</i>	{ 1947 1948 1949	20.7 13.9 21.8	14.9 21.4 31.2	10.0 20.7 20.6	21.3 25.1 23.9	16.3 24.4 22.8	25.5 31.7 19.3



While the average farmer was materially better off in 1949 than he had been in any of the pre-war years, his real income started to slide mildly from the 1948 record level. The farm parity price ratio measures the purchasing power of the farmer's dollar relative to the 1910-1914 average level. It is the ratio of the index of prices received to the index of prices paid by farmers for commodities, interest, and taxes. Total farm production includes the output of both crops and livestock. Although crop production remained near record levels in 1949, it was estimated to have declined about 5 per cent from the 1948 peak. Livestock production increased an estimated 3 per cent. Figures are from the United States Department of Agriculture.

work scheduled. Indeed, increased production could easily cause an increase in weekly earnings.

The combination of high employment and high earnings in 1949 raised disposable personal income to the highest level on record. The \$192.9 billion for 1949 was 1 per cent above the 1948 figure. While there was a decline in the quarterly estimates during the year, disposable personal income at an annual rate was virtually unchanged in the last half of 1949 at a level slightly above that of the previous peak year 1948.

Business Men Look Ahead

In special conferences arranged by DUN & BRADSTREET, INC., and conducted in 34 cities throughout the United States, a number of business men discussed informally the prospects for the first half of 1950. Optimism was evident in all regions of the country—particularly in the Southwest. While business men generally expected their net profits to decline in 1950, they anticipated a large volume of sales.

Some manufacturers and distributors of nondurable goods expected their unit volume to remain steady or to increase slightly; but they believed that gross dollar sales—especially in the food and clothing lines—might be reduced due to lower prices. Others reported that, while prices and unit volume in their lines would compare favorably with 1949 levels, increased operating costs would reduce profits.

Durable goods manufacturers were primarily optimistic for the near future outlook because of the high level of construction which is likely to support a considerable demand for building materials, hardware, home furnishings, and appliances.

Most of the manufacturers who attended these discussions expected employment to remain steady during the first half of 1950 at approximately the level that prevailed during the latter part of 1949. Business men generally intended to maintain their current staffs of employees, but they hoped to increase production by more efficient scheduling of work and the prudent assignment of jobs.

Wholesalers expected their sales volume to compare

favorably with the high levels maintained during the final half of 1949. Dealers in textiles were more cautious than others when predicting beyond the first quarter of 1950 although they, too, were optimistic in their outlook. After considering the high consumer demand for most goods and the comparatively low level of retail inventories, many of the business men concluded that prices probably would remain steady. While price fluctuations were expected to occur, it was generally believed that the slight ups and downs would largely offset each other.

Of the business men who attended these meetings, the manufacturers and the wholesalers were more optimistic than the retailers. Most retailers reported their intention to keep stocks of staple items at levels sufficient for their immediate needs; many of them admitted that they had lost sales in the latter half of 1949 because of inadequate inventories. Most of the retailers who anticipated increased sales believed that the rise would come through more aggressive merchandising tactics.

Pitfalls and Possibilities

In this atomic era the importance of a "chain reaction" in business is significant. In recent years Americans have learned that curtailed coal production can limit the output of steel which, in turn, may slow the assembly lines of many different industries. The resulting idleness of plant and worker is a threat to the economic health of the country.

This threat is especially serious because the chain reaction can begin at any point along the line and can spread in either direction. It is a creeping paralysis that strikes the worker's wallet and the nation's needs. Since we can have only what we produce, a decline in production reduces everyone's income of goods and can quickly change the most carefully planned predictions.

The levels of anticipated activity in specific lines of business are particularly sensitive to unforeseen circumstances such as strikes or shortages of materials. Despite this ever-present hazard, calculations of probable levels have been prepared by observers for selected series and are contained in the table on page 12.

Forecasts from Selected Sources

	1950 FIRST HALF	1949 FIRST HALF	1949 SECOND HALF
GROSS NATIONAL PRODUCT	252-257	259.6	255.5
BILLIONS OF DOLLARS, annual rate, seasonally adjusted			
NATIONAL INCOME	216-220	224.8	220.2
BILLIONS OF DOLLARS, annual rate, seasonally adjusted			
RETAIL SALES	125-128	128.3	127.4
BILLIONS OF DOLLARS, annual rate, seasonally adjusted			
MANUFACTURER'S SALES	215-217	215.8	214.6
BILLIONS OF DOLLARS, annual rate, seasonally adjusted			
INDEX OF PHYSICAL PRODUCTION 1935-1939=100	175-180	181	170
AUTOMOBILE PRODUCTION	3.0-3.3	3.0	3.2
MILLIONS OF VEHICLES			
STEEL PRODUCTION	43-45	45.9	31.1
MILLIONS OF NET TONS			
TOTAL NEW CONSTRUCTION	8.5-9.0	8.4	10.8
BILLIONS OF DOLLARS			
EMPLOYMENT	59.5-60.5	58.1	59.3
MILLIONS OF CIVILIANS			
UNEMPLOYMENT	3.5-4.5	3.2	3.6
MILLIONS OF PERSONS			
POPULATION	150-152	148.9	150.3
MILLIONS OF PERSONS			
WHOLESALE PRICE INDEX 1926=100	150-157	157.4	152.5
CONSUMER'S PRICE INDEX 1935-1939=100	165-170	169.7	168.7

The estimates for the first half of 1950 are based upon forecasts by a variety of sources, the majority of which fall within the ranges indicated.

Imports and Exports

Foreign trade also exerts an important influence upon business. Exports of domestic merchandise in 1949 dipped to \$11.8 billion from \$12.5 billion in 1948. This was \$2.7 billion below the all-time high reached in 1947. Imports for consumption during the past year were \$6.6 billion leaving a trade gap of \$5.2 billion or slightly less than a year ago. The trade gap in 1947 amounted to \$8.7 billion, but it has been declining annually since then.

ECA's Paul Hoffman has asserted that a rise of about \$2 billion in our annual imports is vital to European recovery. Increasing our purchasing from foreign countries would appear to be a very effective way to stabilize our exports at a high level. There are some advantages to this method of coping with the export surplus as compared with allowing exports to drop sharply in order to reduce the trade gap. A sharp drop in exports could easily be followed by increased unemployment and injury to the economy.

The Year-End Statement

In the final balance sheet for 1949 the American people had a record income distributed among a near-record number of employed with which to purchase a huge volume of available goods at prices slightly lower than in 1948. The changes that occurred during the year, particularly during the final months of the year, generally were small. At the close of 1949 the opinion of business men in 34 localities was that business would remain good during the coming months although increased emphasis would have to be placed upon production and merchandising techniques to maintain high levels of activity in an increasingly competitive economy.

Sources of the Statistical Data

The monthly figures on population, employment, unemployment, exports, and imports are compiled by the U. S. Bureau of the Census. Population figures include armed forces overseas and are the July estimates for each year; the quarterly figures are end of period estimates. Employment and unemployment data are averages for the periods; figures through 1922 are from the National Industrial Conference Board. Export figures are the total exports of domestic merchandise; import figures are the totals of all imports.

The data on the gross earnings of industrial workers and wholesale and consumers' prices are compiled by the U. S. Bureau of Labor Statistics. Average hourly earnings reflect extra pay for overtime and late shift work. Average weekly earnings are affected by the length of the workweek; they are "before" payroll deductions. The Wholesale Price Index measures wholesale prices in terms of the 1926 level. The Consumers' Price Index is designed to reflect prices paid by moderate income families in metropolitan areas; the average 1935-1939 prices equal 100. The Retail Price Index (1935-1939=100) compiled by the U. S. Office of Business Economics, differs from the Consumers' Price Index in that the latter includes some non-retail items such as rent and utilities. The price index figures are averages of monthly figures.

Freight carloadings reported by the American Association of Railroads represent cars of revenue freight loaded for all reporting Class I railroads and their subsidiaries.

The total farm income derived from farm mar-

ketings, CCC loans, and Government payments is reported every month by the U. S. Bureau of Agricultural Economics.

The information concerning business sales and inventories, income, savings, and corporate profits is published by the U. S. Office of Business Economics. Sales figures are totals for the periods and inventory figures are for the end of each period; figures through 1922 are from "National Income and Its Composition" by Simon Kuznets. The quarterly and monthly inventories and sales figures are adjusted for seasonal variations. National income consists of the aggregate earnings of labor and property; it measures the total factor costs of the goods and services produced by the economy. Disposable personal income is the income remaining to individuals after the payment of taxes. The fourth quarter 1949 figures for industrial workers' earnings, national and personal income, savings, credit, and profits are estimates by the Council of Economic Advisers.

The information on business failures and liabilities, the number of businesses in operation (Names in the Reference Book), and the value of building permits in 120 principal cities is regularly collected and published by DUN & BRADSTREET, INC. Annual totals of Names in the Reference Book are from the July Book; quarterly figures are from the Book nearest the end of the quarter. A major revision of failure and liability data occurred in 1939; the data from 1945 to date have been revised to exclude all railroad failures, and are now comparable with years prior to 1945 when railroads were not included.

The annual and quarterly estimates of total business expenditures for plant and equipment

are regularly compiled by the U. S. Department of Commerce and the SEC.

Federal receipts, expenditures, debt, and savings bonds outstanding are reported by the U. S. Treasury Department. Annual figures are for the fiscal years ended June 30; quarterly receipts and expenditures are totals for each quarter, and debt and bond figures are for the end of each period.

Industrial production, banking, and financial statistics are prepared by the Federal Reserve Board of Governors. The industrial production index (1935-1939=100) measures the physical volume of production. The figures are averages of seasonally adjusted monthly indexes. Currency Outside of Banks, Demand Deposits Adjusted to exclude interbank and U. S. Government deposits and cash items in the process of collection, Loans of Commercial Banks, and Consumer Credit Outstanding are end of period figures. Turnover of Demand Deposits is reported at an annual rate. The series of Commercial Loan Rates was recently revised back through 1939.

A daily average of the prices of 30 industrial stocks is compiled by Dow-Jones & Company. The figures included here are averages for each period.

There are occasional revisions and changes in almost all statistical series. The characteristics and limitations of such data are important in many uses of the material. Many statistical series not included here are available. The editors of DUN'S REVIEW will be glad to answer any questions.

Contents

FEBRUARY 1950

Compass Points of Business 5

Analyzing the accomplishments and prospects of American business for the years 1949 and 1950, with bases for historical comparison

East River Shipping, New York Harbor Frontispiece

The Related Movements of Prices and Failures: II. Competence and Casualties 19

ROY A. FOULKE, Vice-President, DUN & BRADSTREET, INC.

What business men can do to prevent failure and some signals which enable the approaching collapse of a firm to be detected in advance

The Airplane as a Business Tool 22

NATHANIEL F. SILBER

A timely presentation of the pros and cons of airplane ownership by private concerns, including a discussion of the costs involved

Are We Breeding a Generation of "Securocrats"? 24

MILLARD C. FAUGHT, President, the Faught Company, Inc.

Investigating a new species of young American; what business men can do to instill in to-day's youth a sound sense of economic values

What Does the New Wage-Hour Law Provide? 26

CHARLES M. JOSEPH, Attorney—New York Bar

An examination of the scope of coverage, minimum wage level, and method of calculating overtime provided by the new Wage-Hour Law

The Trend of Business 28

An analysis of general business conditions, including "Weekly Signposts of Business" (page 29); Trade Barometers for Twenty-Nine Regions of the U. S. (page 29); and The Failure Record (page 30)

The Jet Plane, a poem 32

A. M. SULLIVAN, Associate Editor, DUN'S REVIEW

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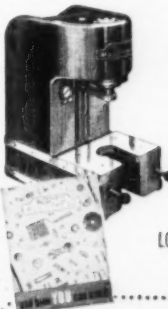
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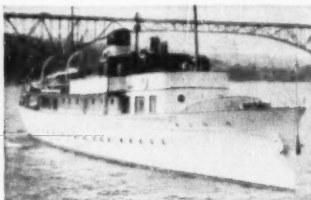
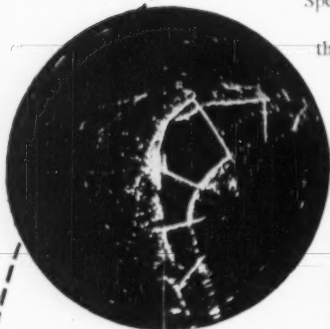
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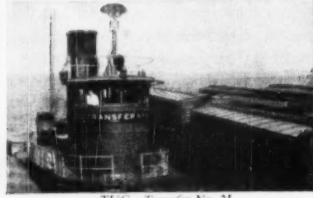
PILOT BOAT—New Jersey



TANKER—Esso Worcester



YACHT—Florence VI



TUG—Transfer No. 21



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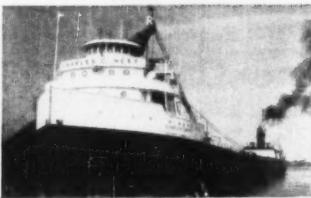
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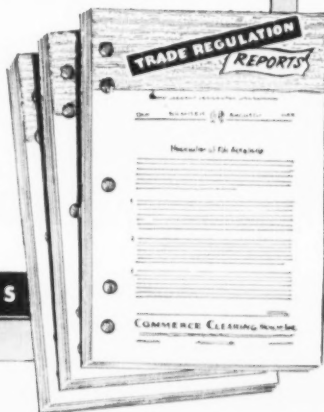
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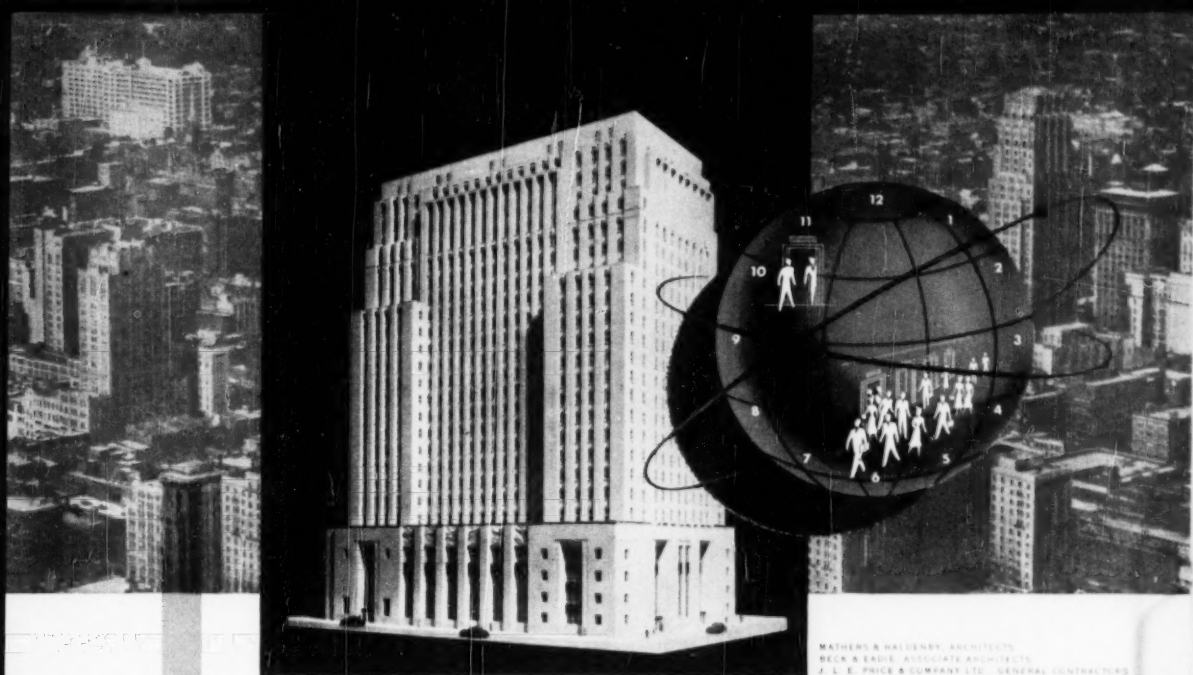
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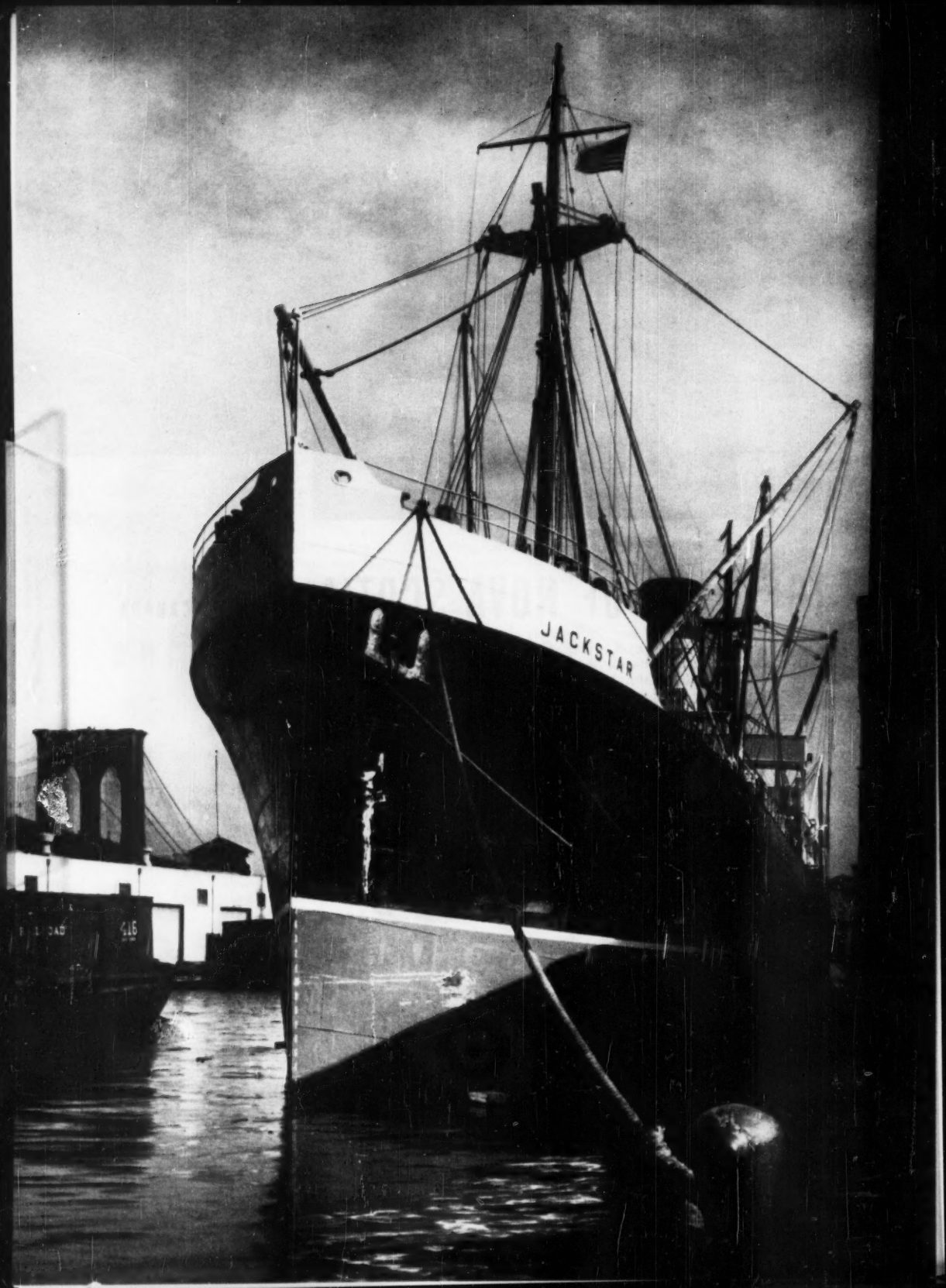
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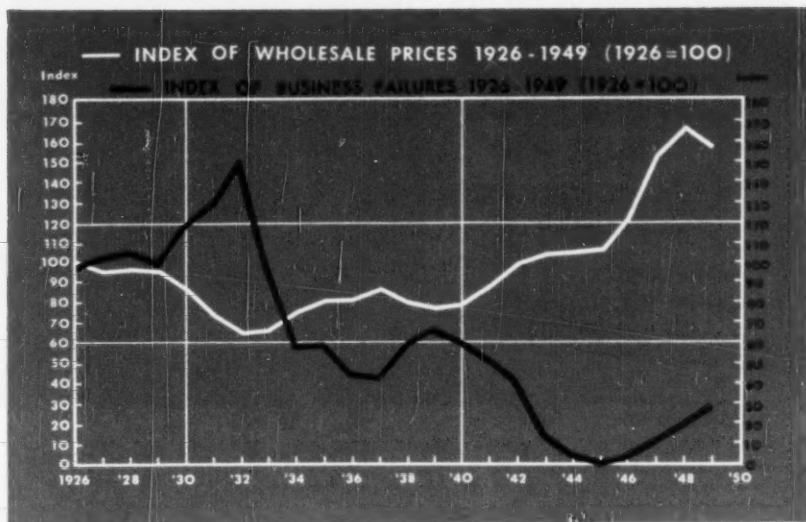
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The Related Movements of PRICES *and* FAILURES

II. COMPETENCE AND CASUALTIES

ROY A. FOULKE

Vice President, DUN & BRADSTREET, INC.

*B*USINESS failures, it is said, are the result of many divergent factors. They are incompetence in one form or another; inexperience; lack of working capital; the increased intensity of competition; changes in the technique of production and distribution; changes in styles, fads, and habits; the introduction of substitute products; disasters, such as drought, severe wind-storms, and fires; overtrading and undertrading; the personal extravagance of officers or partners; and last but not least, the greatest overlord of all of the masters, "general business conditions." Failures have been attributed to every cause under the sun and also to some under the moon, the stars, and the planets.

The cause of more business failures

than any one other single factor has been considered by many diligent students to be the lack of working capital. This cause has been singled out, emphasized, and delicately played upon, in contrast to many other causes, including incompetence, mental inertia, and inexperience on the part of those guiding a business enterprise.

A few examples will indicate the moral that the finest plant, the most meritorious product, the greatest potential market are liabilities under poor management; that management, and not the multitude of collateral factors, is fundamentally responsible for the success or failure of the business enterprise. Other factors help or retard progress in a competitive economy, but

WHAT IS THE MOST COMMON CAUSE OF BUSINESS FAILURES? EXACTLY WHAT IS THE NATURE OF SOME OF THE MISTAKES OF MANAGEMENT WHICH LEAD TO THE DEATH OF A BUSINESS? HOW CAN THE LEVEL OF WHOLESALE PRICES BE USED AS A BAROMETER OF BUSINESS FAILURES? ARE FAILURES TO-DAY ALARMINGLY HIGH?



LORAIN PHOTOGRAPH BY DUANEY

Business failures generally decrease when wholesale prices rise and increase when wholesale prices decline. There are indications that fluctuations in wholesale prices have greater effect than most other factors in aggravating an already unsound financial condition resulting from managerial incompetence.

they are, in truth, on a secondary plane.

If a business enterprise began operations, for example, on a net working capital of \$20,000, when a minimum of \$50,000 was essential at a particular location, was not the very organization of that concern with insufficient working capital the result of incompetence, inexperience, poor management, and a lack of financial knowledge regarding the minimum of working capital needed to start operations with a reasonable expectation of success?

On the other hand, if the business began operations with a net working capital of \$50,000 and in three years losses reduced the excess current assets to \$20,000, were not those losses fundamentally the result of inefficient or incapable management somewhere along the line? The lack of working capital in either instance was but an outward expression of the inexperience or the inability of those in charge of the welfare of the particular business concern. It was not, in itself, the cause of the financial collapse of the enterprise.

Failures are often said to be due to the increased intensity of competition. With hundreds of thousands more concerns in business to-day than ever before, we are in for a period of bigger and better competition—and that is as it should be. If the effects of competition are actually beyond the control of business management, fatalism would need to be the philosophy of busi-

ness operations. The expenditure of thought, energy, and conscious effort would be largely superfluous!

Just consider this matter of "extreme competition" for a moment. Suppose there were 50 motion-picture theater supply houses in the United States and that each dealer handled a wide variety of supplies for the typical motion-picture theater: projection machines, seats, curtains, carpets, sets, projector repair parts, lamps, accessories, and carbon. Suppose competition became keener and keener, and prices were cut, first on one product—carbon—and then on others—projector repair parts, lamps, and accessories.

Profits turned into losses as the gross margin on carbon was cut from 30 per cent to 10 per cent, and the gross margins on other important items also were materially reduced. First one concern and then another would liquidate its affairs, pay the wages of its employees, its rent, and other bills, pull down the shades, and close. Finally, 30 remained. How did that happen? Why were not the entire 50 concerns forced to liquidate under a condition of extreme competition? Why only 20?

Obviously, the 20 which felt the results of the keener competition were the marginal concerns. The managements of the liquidated concerns had lacked the aggressiveness to hold old business and had failed to acquire new business on more profitable collateral

lines, such as air-conditioning and sound equipment which could have been sold to clubs, schools, and churches.

The weaker financial businesses often become stronger and finally work into healthy shape under the stress of intense competition, because that very stress often breeds aggressiveness and a will to go after and acquire sales on a profitable basis. We are now entering a period of competition the like of which we have never before seen in our country. Managements with the greatest ingenuity, keenness, and foresight will survive, and those which lack the competitive instinct, the will to work, and ability to create a hard, tight-functioning organization will be the first to succumb.

Why Failures Occur

Only where the management is incompetent does a concern go under. So, is not a business failure which is said to result from intense competition generally caused by poor or misguided management, where inertia has finally played its last leading rôle?

Perhaps the financial condition of the concerns liquidated was not strong enough to stand up against the strain as long as the others. Then, that financial condition again had been brought about by mistakes in policies, by lethargy, by unskilled management guidance. If a particular business is started with too little funds, that again can be laid only at the doors of the owners; and if it becomes weak financially as a result of operating losses, the management again must accept the re-

Peaks and Valleys in **WHOLESALE PRICES and BUSINESS FAILURES**

A discussion similar to the one presented in these two articles has been published in a pamphlet. Also included in this pamphlet are the latest five-year averages and annual figures for the fourteen important business ratios in 72 lines of business which are compiled annually by Mr. Foulke. Copies of "Peaks and Valleys in Wholesale Prices and Business Failures" may be obtained from the editors upon request.

sponsibility. Managements in manufacturing firms, of course, bear the onus of keeping abreast of the latest changes in production techniques.

Even failures which are said to be the result of such factors as changes in styles, fads, and habits may be laid nowhere except at the doorstep of the executive staff. There is no one policy to which the real executive gives more serious study and attention than just such changes. An aggressive, wide-awake management generally realizes that changes are taking place behind the scenes many months and, at times, years before they come to light. Consequently, improvements and changes

are made in the product well in advance of actual need. Studebaker went from wagons to automobiles and Curtiss from motorcycles to airplanes; the management of each firm thereby moved from a declining industry.

Less alert executive staffs would have watched their sales shrink to the vanishing point and then, when it was too late, would have placed the onus on the "changing times." Every manufacturing or wholesaling business enterprise, and most of the larger retailers which have been in existence 25 years or more, have had to meet and overcome changes in the demands of customers, in manufacturing processes,

and in the methods of distribution.

A constant change is in process, a change which is quietly taking place in the method of operation of all concerns whose managements have a firm grasp on reality. A business enterprise is the reflection of a guiding hand, just as much as a painting is of the artist, a book is of the author, and a building is of the architect. Furthermore, the business enterprise may be fully as much a work of art.

This discussion of the causes of business failures indicates that most of these causes, whether they are said to be beyond the control of management or not, are largely attributable to management in one form or another. Only in rare instances is management not to be scored because of a particular financial embarrassment.

Symptoms of Failures

With this emphasis on the extreme importance of the knowledge, skill, experience, and aggressiveness of operating managements, the principal causes of failures fall under two basic classifications: those which are manifestations of managerial ineptitude, and those occasional instances in which the skill of the management plays little or no part.

Every policy and decision of an executive staff has its reflection somewhere in the assets and liabilities of the balance sheet, the surplus account, or in the profit and loss statement, and con-

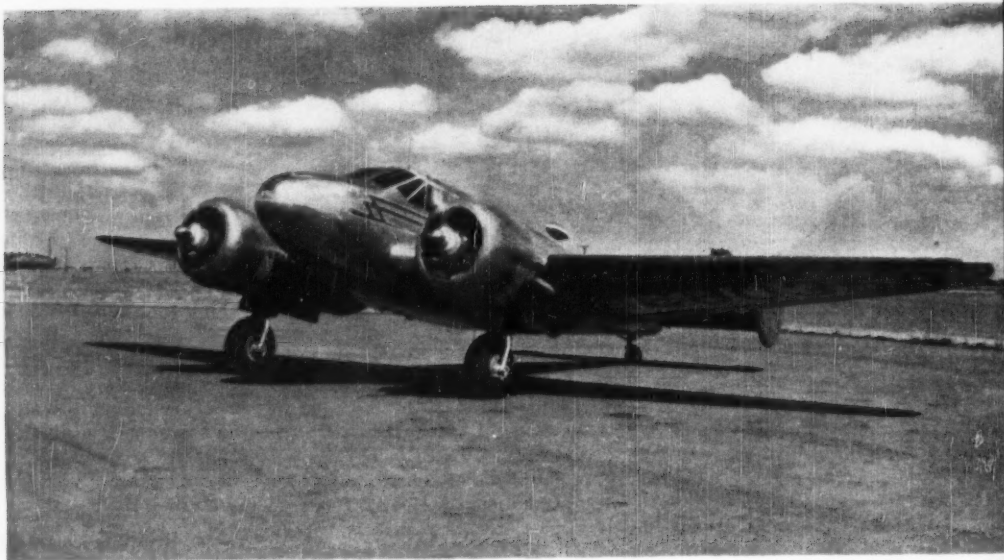
(Continued on page 42)

In the field of business competition any moderate ailment will eliminate many marginal concerns. Conversely, any factor which will assist, even so slightly in turning a loss into a break-even operating statement, acts as so much oxygen administered to an ill patient. If oxygen is administered long enough, some recover.

A TYPICAL SHOPPING CENTER: SEASIDE STREET, LONDON, N. J.—COMMON PHOTOGRAPH FROM DEANET

PAGE 21





REGISTRATION D-188 ALL-METAL, TWIN-ENGINE, 6-PLACE MONOPLANE

"The usefulness and versatility of company-owned aircraft are reflected in the extent to which they are used. There are more than 80 different types of business known to maintain private company planes."

The Airplane AS A BUSINESS TOOL

NATHANIEL F. SILSBEE

DURING the years following World War I the company car became a widely used time-saving and space-covering piece of equipment. Although basically more expensive, the company plane, in the immediate period following World War II, has attained a position of importance far greater than many people realize. Whenever a business needs to transport its top executives, engineers, or a vital repair part, to any given spot quickly, the business owned and operated airplane often provides a highly satisfactory answer.

It was discovered in a 1948 survey that there was a total of 6,741 corporation-owned aircraft used exclusively for business purposes. At the end of 1949 there was estimated to be about 8,000

*M*ANY BUSY EXECUTIVES ARE FACED WITH THE PROBLEM OF CONSERVING THEIR TIME AND ENERGY. THE COMPANY-OWNED EXECUTIVE PLANE HAS SOMETIMES BEEN AN EFFECTIVE AID. HOW MANY FIRMS MAINTAIN PRIVATE AIRCRAFT? WHAT ARE SOME OF THE ADVANTAGES AND DISADVANTAGES TO THE COMPANY-OWNED PLANE? HOW MUCH DOES IT COST TO MAINTAIN A PRIVATE COMPANY PLANE? THE ANSWERS TO THESE QUESTIONS ARE IMPORTANT TO EXECUTIVES.

such aircraft; this figure includes only the four-place and larger planes. Three years ago there were probably fewer than 2,000 private business aircraft.

The Civil Aeronautics Administration reported that in 1947 business and corporate flying totalled 1,966,000 hours, an increase of 84 per cent over 1946. After allowance for flying by farmers and ranchers, and by individual salesmen who own and fly their personal planes for both business and pleasure, company flying amounted to an estimated 1 million hours. There were nearly 1.3 million hours of company flying in 1948; it is expected that the 1949 total will be higher.

A survey by the Personal Aircraft Council covering 100 typical firms and

The key to economy in the operation of a company plane is extensive utilization. For most economical use, executive planes should be operated about 500 hours per year, at least. 500 hours of flying in the average twin-engine plane covers between 50 to 100,000 miles; in a single-engine executive aircraft some 80,000 miles would be covered.

corporations, which had been flying their own planes for a year or longer, indicated that some 64 per cent of them regarded the saving of valuable time as an outstanding factor in their use of aircraft for business purposes.

About 30 per cent stated that the convenience, the freedom from time-table restrictions, as well as the ability to reach out-of-the-way localities impressed them. More than 22 per cent of the firms surveyed declared that the economy in time and money and the ready availability of their own aircraft was significant to them. About 13 per cent said that the company prestige acquired through operation of their own aircraft was a valuable feature.

The use of company owned planes to save executives' time and energy has been increasing as the benefits become better known. The great savings in time made possible by air travel are especially notable when executives must visit distant areas where train connections often involve a great deal of wasted time.

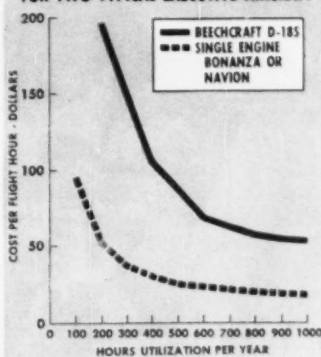
Who actually flies in company planes? According to the Personal Aircraft Council survey, 72 per cent of the companies questioned said their aircraft were used by company executives for general transportation flights. Some 48 per cent reported their planes were used by company personnel for a variety of reasons including sales promotion, trouble-shooting, inspections, and customer flights to the plant.

About 32 per cent of the firms reported that the company plane enabled buyers and salesmen to cover wide areas quickly and cheaply; and 11 per cent said their planes were used for delivery and customer servicing, often under emergency conditions.

Both of these sets of figures add up

This Ryan Navion is a business aircraft owned by the Perma-Wall Construction Co. of Portland, Ore. In it, the company executives are safely and quickly transported to customers and supply sources throughout the Pacific Northwest. A wide variety of uses are claimed for private company aircraft by firms maintaining them. Many firms are able to solve some of their emergency problems effectively through use of the company-owned plane.

RELATIONSHIP OF COST PER FLIGHT HOUR TO ANNUAL HOURS OF USE FOR TWO TYPICAL EXECUTIVE AIRCRAFT



to more than 100 per cent since many companies claimed more than one benefit from industrial aid flying, and more than one type of personnel usage.

The usefulness and versatility of company owned aircraft are further reflected in the extent to which they are used. There are more than 80 different types of business known to maintain a company plane; they include a diversified group of manufacturers, retailers, and other business organizations.

There are some corporations who once operated their own aircraft, but

subsequently abandoned the practice. Sometimes a company has disposed of its planes because the domestic airline route pattern developed in such a way that the regularly scheduled airlines provided adequate services.

Some companies have found the cost of plane ownership excessive. Usually, this is a direct result of insufficient utilization of the aircraft, often due to inadequate planning. Sometimes an expensive aircraft has had to sit on the ground for days at a time because either through direct orders or tacit understanding it had always to be at the beck and call of the company president and was not available for general use.

Most of the firms maintaining more than one private company plane have found it advisable to establish an aviation department to supervise the scheduling and operation of the aircraft. When one plane is maintained the company's regular transportation department usually sees to it that the plane is utilized to the maximum. Whichever plan is followed, it is, of course, necessary to keep accurate cost records.

Some companies, after weighing carefully the advantages and disadvantages of company ownership and operation of executive aircraft, have de-

(Continued on page 52)



WHAT predominant characteristics are displayed by many members of the maturing generation? How can business men help to develop in to-day's young people a sound sense of social and economic values? What broad program for instructing youth in the fundamentals of free enterprise has been undertaken by a group of Ohio industrial leaders?



"UNION AND UNITE THE BUSINESS MEN THEMSELVES IN EVERY AMERICAN COMMUNITY. . . TAKE A FAR MORE ACTIVE AND RESPONSIBLE PART IN SECURING OUR SCHOOL SYSTEM AND ITS PROGRAM, THE JOB WILL NOT BE DONE." —BUENAY PHOTOGRAPH

Are We Breeding a Generation OF "SECUROCRATS"?

MILLARD C. FAUGHT
President, the Faught Company, Inc.

THE first generation of a new species of American is just about to mature in this country. Within not more than another decade this new strain may be the predominating majority in our society and may be running the show. Members of the new species are already growing up in sufficient quantities to exert a clearly seen influence on our present cultural, political, and economic patterns. Examination of this neo-American is therefore timely, important, and also interesting.

Just as past generations of Americans, in keeping with their attitudes

and actions, acquired the descriptive appellation, "rugged individualists," a comparable term for this new species might be "*securocrats*." In outward appearance the securocratic American is indistinguishable from his parent stock, except that he is probably bigger, healthier, and can expect to live longer on the average than any previous generation. That is because he is the beneficiary of the accumulated advantages, both to the body and the spirit, of what is loosely called "the American way of life."

However, there are some observers

who take a dim view of this developing species of securocratic American, and increasingly so as the evidence on his nature accumulates. While sounder perchance in bodily and biological characteristics, and as personally brave as his forebears, the new securocrat exhibits some pronounced weaknesses of spirit, as judged by long accepted standards. And when it comes to matters of social and economic responsibilities of citizenship, he shows a lack of what has stood for years as *intestinal fortitude*. Moreover, he is seeking to modify his environment to suit his nature.

Already the identification of this new species has become quite simple and easy. You can recognize a securocratic American by a variety of characteristics. Among these are:

1. *An all-pervading preference and desire to "play it safe."*

A securocrat is the ideal citizen for the new "welfare state." His mind is security-conditioned from birth.

Any talk about risk-taking or shoe-string tries at long-shot goals leaves him cold. He would have found the Horatio Alger series very dull reading. Pioneering doesn't appeal to him at all, except in make-believe on the movie screen.

While professing to harbor a desire to "be his own boss," the securocrat looks for a good safe spot on somebody else's payroll; and thinks the safest and best place of all is to work for the Government on a guaranteed job.

2. *A willingness to let somebody else assume the responsibility for things.*

The standard reaction pattern of the securocrat to a community or national problem is: (1) to demand that some government agency or public authority be created to deal with the situation; and (2) to sit back and complain about the results.

Citizenship to the securocrat is a shorthand term meaning "the government owes me"; and his concept of what should be included in social security grows more inclusive from election to election.

On the occasion of elections, however, the securocrat makes little effort to think through the issues. He listens for the biggest promises of more securocracy and usually votes for them (if he votes at all) on the say-so of some political action group which conveniently offers to do his citizenship thinking for him.

3. *The securocrat is great for slogans.*

Because of his aversion to thinking things through for himself, or for accepting social, political, or economic responsibility, the securocrat falls for over-simplified slogans; he likes superficial generalized answers; and is a great joiner of movements, as long as they require lip service rather than more strenuous allegiance. He accepts "party line" answers to things because that is easier than developing his own, and prefers the private organizations to which he belongs, as well as the divisions of his public bodies, to be identified by their initials for ease of reference.

4. *The securocrat has an inferior-*

ity complex about the common man.

We have always talked a lot about "the common man" in American folkways and politics. We used to apply the term with the healthy connotation that in our democratic environment one man is counted as good as another and has equal elbow room to try to demonstrate that in some ways he might even be better than some.

"Ceilings" on Initiative

But among securocrats "the common man" is strictly a lower case term. It is possible the securocrat and his fellows want to make it very difficult for anybody to be other than common. Since mediocrity only shows by contrast, it is better in their view not to let anybody get too far ahead and show up the rest. Thus they are long on social and economic controls to prevent any left-over rugged individualists from showing them up. They want "ceilings" on any kind of uncommon initiative and "floors" under any consequences of their own shortcomings.

To catalog all of the maturing characteristics of the new securocratic American is a long and depressing process. Possibly more rewarding would be to find out what it is in the contemporary industrial environment and political heredity patterns of our society which is producing so many of this species of Americans. Moreover, there is an abiding suspicion among some observers that we have nobody to blame but ourselves for this new generation of securocrats. Indeed, a strong case could be made for the position that it is difficult for a youngster to grow up in the American environment of to-day without becoming a securocrat.

Let's look at this "economic environment" for a moment in which the adolescent generation, both of securocrats and others, is maturing. We are

(Continued on page 58)

THE HOUSE OF THE NATION'S CAPTIVE—PATRIOTIC AERIAL SURVEY PHOTOGRAPH



"... loss of the high cost of education ... are at nothing compared with the high cost of ignorance on which securocratic dictatorship feeds most fatteningly. Mr. Hoover put this intrusive relationship squarely to us in his seventy-fifth birthday address. The nation-wide press coverage given Mr. Hoover's statistics—on how one person out of every eight among our work force is already on a government payroll, and how the rest of us must work one week out of each month just to pay the resulting "welfare state" tax bill, not enough to cause a lot of people to do just what he asked: "Think it over!"

ACTIVITIES AT SOME TERMINAL, PROGRESSIVE, EMERGENCY, AND TRUCK FREIGHT DEPOT. COURTESY PHOTOGRAPH.



Is the new Wage-Hour Law, which went into effect last month, designed to increase or reduce the classes of workers included under the original Act? What is the new minimum wage? What groups of workers are excluded from this minimum? Do the changes in the method of calculating overtime provide any relief from its cost?

What Does the New WAGE-HOUR LAW PROVIDE?

CHARLES M. JOSEPH

Attorney—New York Bar

On January 25 a new Wage-Hour Law went into effect as a result of amendments made by Congress to the law originally passed in 1938. In view of the importance of the changes that were made, re-examination of the entire subject becomes necessary. The following discussion will explain the changes made and the Wage-Hour Law as it now is.

The Act applies to all employees who are engaged in interstate or foreign commerce¹, or in the production of goods for such commerce, including any "closely related" process or occupation "directly essential" to production.

The Act applies upon an individual

Mr. Joseph will discuss the exemptions allowed for executive, administrative, and professional employees in the March DUN'S REVIEW. He formerly was Principal Trial Examiner in the Wage-Hour and Public Contract Divisions of the United States Department of Labor.

employee basis, that is, the test of coverage is what each employee does and not what the employer does as a whole. Who employs the employee involves only who is responsible for paying his wages.

Employees typically engaged in interstate commerce are those in the

transportation and communication industries. Also, employees who are a part of the "stream" of commerce, such as in warehouses receiving and distributing interstate goods. Also, employees who order out-of-state goods or who handle and unpack them upon receipt into the state. Where, however, goods have come to rest within the state, employees who work upon or handle them are not in commerce.

Also under the Act are employees engaged in the actual, direct production of goods "for (interstate or foreign) commerce." This means the manufacture or processing of goods where it is intended, or there is reason to believe, that the goods will leave the state, even though finally shipped out by someone

¹ This includes incoming foreign commerce, not previously covered.

other than the original manufacturer or processor.

Finally included are those employees engaged in any "closely related" process or occupation "directly essential" to production. This phraseology is new and replaces "process or occupation necessary to production." The former wording raised many questions which went to the courts for decision. The new language is no more definite and will raise its own problems, though not to the same degree, since much ground has been cleared in the ten years of the law's operation. In reports issued by Congress, however, it is made clear that the new wording is intended to reduce coverage by drawing a middle line between what is "necessary" and what is "indispensable" to production, the term employed in the Bill as first passed in the House. Thus, employees operating dwellings owned by producers, restaurants in factories, altering interstate buildings, supplying fertilizer to farmers, mining stone, and employees of local window-cleaning, nursery, and ex-

terminator companies who service interstate producers are no longer to be subject to the Act.

The following employees, however, remain covered: office, clerical, repair, maintenance, and custodial employees, whether employed directly by the producer or by an independent employer supplying, for example, watchmen, guards and porters, and maintenance employees of buildings rented to producers. Also, employees of employers supplying goods and facilities, including fuel and power, to interstate producers using them to produce other goods and employees producing machinery, parts, tools, dies, designs, and other equipment used in producing interstate goods.

Where does this leave the employer? It leaves him with the necessity of careful re-examination of the duties of the various categories of his employees. As to this and other parts of the law, the basis for decision lies in three factors: (1) the meaning of the law as interpreted in the past by the courts and by

the Administrator, (2) the language of the new law, together with the light shed upon its meaning by Congress, and (3) the publicly announced meaning which the Administrator will give to the new law.² There will be cases still in doubt, despite the most painstaking analysis. In these it would generally be wiser to decide that the Act applies in view of the liability which might follow if one guessed wrong.³

Minimum Wage

This minimum wage has been increased from 40 to 75 cents an hour, except as stated below.

Learners, Apprentices, Messengers, and Handicapped Workers: These may be employed at less than the minimum wage, as determined and regulated by the Administrator.

Puerto Rico and the Virgin Islands: Employees there, in certain industries, who have received minimum wages of 40 cents or less under prior Wage Orders issued by the Administrator are to continue at such rates unless increased by new Wage Orders.

Overtime is payable over 40 hours weekly with the exception of the four cases stated below, the first three of which are subject to the provision that the employee receive overtime over 12 hours daily or 50 hours weekly.⁴

1. Semi-Annual Employment Plans: No overtime is payable where an employee is employed under a bona fide collective bargaining agreement under which he does not work more than 1,040 hours during any period of 26 consecutive weeks.

2. Annual Employment Guaranteed Wage Plans: No overtime is payable where an employee is employed under

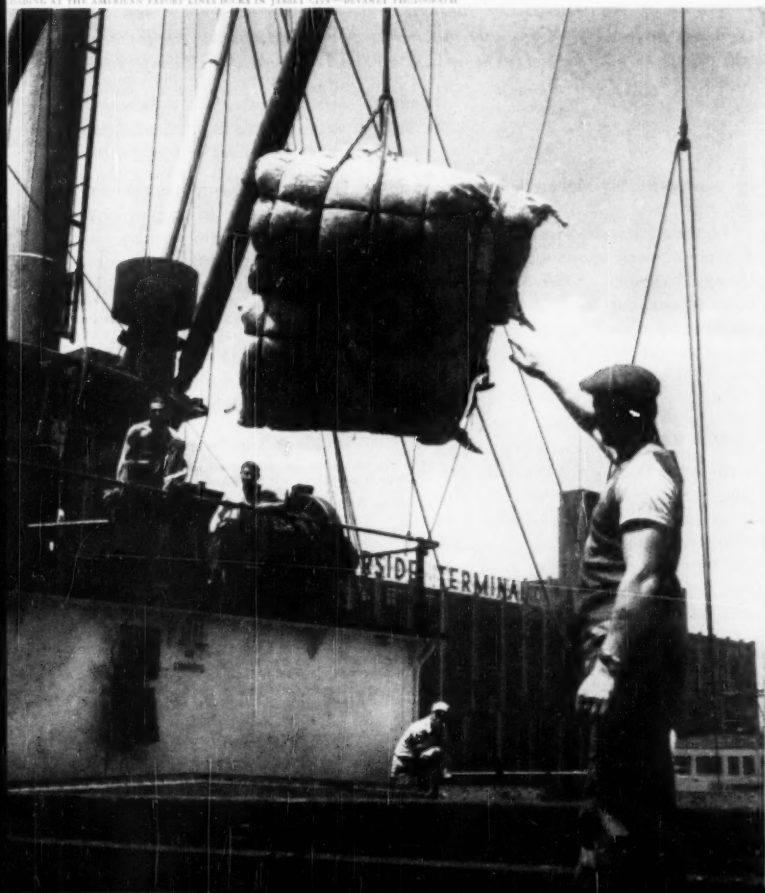
(Continued on page 34)

²It is the practice of the Administrator to issue official bulletins giving his interpretation of the Act. While these interpretations are not law and are not binding, the courts have given them particular weight in deciding cases. They should, therefore, be carefully examined as the considered expression of the official who is charged with enforcement of the law.

³The building maintenance cases are the outstanding examples of the wrong guess, since the Supreme Court finally upheld the coverage of these employees. The same is true in the so-called *Postal and Overtime on One-way Lines*. Here, however, Congress stepped in and enacted the *Postal and Parcel Act* (May 14, 1947) and the *Overtime on Overtime Run Act* (July 26, 1948) relieving employers of their liability for damages.

⁴Unless specially provided, the Act does not require overtime in connection with daily hours.

Workers engaged in interstate or foreign commerce (now including incoming foreign commerce), or in the production of goods for such commerce, are covered by the new Wage-Hour Law. This embraces any "closely related" process or occupation "directly essential" to production.



THE TREND OF BUSINESS



WORKERS AT GRUMMAN AIRCRAFT PLANT IN BETHPAGE, LONG ISLAND—DEANAY PHOTOGRAPH

PRODUCTION
PRICES
TRADE
FINANCE. . . .

Most indicators of business activity rose moderately during December and the first two weeks of January. Consumer purchasing power and civilian employment remained close to the high levels which prevailed generally during 1949. Construction activity fell less than seasonally. Wholesale prices were stable.

THE moderate, but steady, rise in industrial production during December brought the level of production to where it was prior to the coal and steel strikes in the early Fall. As 1949 drew to a close the Federal Reserve Board's Index of Physical Production was estimated to be about 175 per cent of the 1935-1939 average. The index was at 171 in November and 166 in the month previous to that.

Steel ingot production averaged close to 95 per cent of capacity during December. Automobile output, after declining at the beginning of the month while model changeovers were being completed, rose during the last half of December and the first half of January to levels moderately above those in the similar period a year ago.

The production of appliances, particularly of television sets, increased moderately. Output in most textile mills during December and early Janu-

ary was noticeably higher than a year ago.

There was a less-than-seasonal decline of 9 per cent in construction activity during December. Over \$1.6 billion worth of new construction was put in place during the month, an increase of 11 per cent above the corresponding month a year ago.

Employment There were 962,000 fewer persons employed in December than in the previous month. Mainly responsible for the decrease was the seasonal drop in agricultural employment to 6.7 million from 7.9 million. The number of non-farm workers rose fractionally to 51.7 million from 51.6 million in November.

Total civilian employment in December was 58,556,000 as compared with 59,518,000 in November and 59,434,000 in December 1948. Total unemployment in December was 3,489,000 per-

sons. The rise in unemployment was less than the decrease in employment because many of the farm workers seasonally unemployed withdrew temporarily from the labor force.

Finance Security prices on the New York Stock Exchange rose steadily during December with many issues reaching new highs

WHOLESALE FOOD PRICE INDEX

The index is the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index.

Latest Weeks	Year Ago	1939
Jan. 17-18-55.75	Jan. 18-56.01	High Jan. 19-55.70
Jan. 10-11-55.70	Jan. 11-56.08	Low Jan. 1-55.73
Jan. 3-4-55.73	Jan. 4-56.12	1949
Dec. 27-28-55.79	Dec. 28-56.21	High Jan. 4-56.15
Dec. 20-21-55.74	Dec. 21-56.21	Low Oct. 11-55.77

DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 30 basic commodities (1930-1932=100).

Week Ending	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Jan. 21-22-24.68	24.75	24.81	24.81	24.81	24.81	24.81
Jan. 14-15-24.60	24.65	24.70	24.75	24.75	24.75	24.75
Jan. 7-8-24.55	24.60	24.65	24.70	24.75	24.80	24.85
Dec. 31-1-24.55	24.60	24.65	24.70	24.75	24.80	24.85
Dec. 24-25-24.66	24.70	24.75	24.80	24.85	24.90	24.95

PRODUCTION

PRICES

TRADE

FINANCE

for the year at the end of the month.

The Dow-Jones average of 30 industrial, which was at 192.71 on December 1 and 200.52 on December 31, averaged 196.64 for the month. After reaching 202.20 on January 9, the Dow-Jones average declined sharply and on January 14 was down to 196.92.

Trade A seasonal contraction in consumer spending occurred in the first two weeks of January following a near-record peak of retail sales in December. Retail dollar volume in the first half of January was moderately below that of a year ago. Clearance sales were less frequent than they were early in 1949. Shoppers generally bought less apparel than they did last year. Household appliances were purchased in larger volume than a year ago.

Total order volume rose noticeably during the first two weeks of January. Over-all wholesale dollar volume was fractionally below last year's level. Spring bookings for apparel mounted appreciably; new orders, however, were somewhat below 1949 levels. Textile order volume moderately exceeded that of a year ago, the majority of bookings being for third-quarter delivery.

The DUN'S REVIEW Regional Trade Barometer fell 1.7 per cent in December to 272.2 (preliminary) and was 3.9 per cent below the 283.3 of a year ago. The barometer, designed to reflect changes in the level of consumer spending, is adjusted for seasonal variations

Weekly Signposts of Activity

WEEKLY AVERAGES	1948	1949	SELECTED BUSINESS INDICATORS	LATEST WEEK	PREVIOUS WEEK	YEAR AGO	WEEK ENDED
102	170		Steel Ingot Production Ten Thousand Tons	181	179	185	Jan. 21
76	111		Bituminous Coal Mined Hundred Thousand Tons	74	59	119	Jan. 14
69	101		Automobile Production Thousand Automobiles	145	109	105	Jan. 14
31	53		Electric Power Output Ten Million K.W. Hours	60	57	57	Jan. 14
65	82		Freight Carloadings Ten Thousand Cars	63	51	73	Jan. 14
109	304		Department Store Sales Index Number	233	205	244	Jan. 14
77	105		Wholesale Prices Index Number	151	151	160	Jan. 17
74	211		Bank Debts Hundred Million Dollars	213	241	205	Jan. 11
76	285		Money in Circulation Hundred Million Dollars	271	273	277	Jan. 18
219	101		Business Failures Number of Failures	231	207	142	Jan. 19

Sources: Amer. Iron & Steel Inst.; U. S. Bureau of Mines; Automotive News; Edison Electric Inst.; Amer. Assoc. of Railroads; Federal Reserve Board; U. S. Bureau of Labor Statistics; DUN & BROADBENT, INC.

Regional Trade Activity

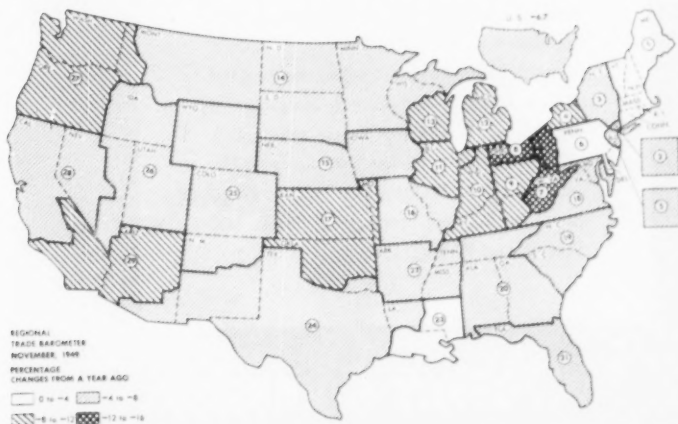
REGION:	Nov. 1949	% Change from Nov. 1948	Oct. 1949	Nov. 1949	% Change from Nov. 1948	Oct. 1949
1. United States.....	276.8	-0.7	-3.0	276.8	-0.7	-3.0
2. New England.....	312.1	-1.8	-2.7	312.1	-1.8	-2.7
3. New York City.....	238.0	-4.5	+1.7	238.0	-4.5	+1.7
4. Albany, Utica, and Syracuse.....	272.3	-6.1	+0.4	272.3	-6.1	+0.4
5. Buffalo and Rochester.....	268.8	-0.6	+1.4	268.8	-0.6	+1.4
6. Philadelphia.....	258.1	-1.8	+4.6	258.1	-1.8	+4.6
7. Pittsburgh.....	234.0	-15.5	-16.1	234.0	-15.5	-16.1
8. Cleveland.....	268.1	-11.2	-7.0	268.1	-11.2	-7.0
9. Cincinnati and Columbus.....	272.1	-0.5	-0.7	272.1	-0.5	-0.7
10. Indianapolis and Louisville.....	267.5	-8.8	-0.7	267.5	-8.8	-0.7
11. Chicago.....	290.1	-8.2	-6.0	290.1	-8.2	-6.0
12. Detroit.....	284.6	-10.4	-10.1	284.6	-10.4	-10.1
13. Milwaukee.....	264.1	-10.0	+3.8	264.1	-10.0	+3.8
14. Minneapolis and St. Paul.....	261.6	-7.7	-5.9	261.6	-7.7	-5.9
15. Iowa and Nebraska.....	303.7	-5.2	-5.0	303.7	-5.2	-5.0
16. St. Louis.....	270.3	-7.8	-1.8	270.3	-7.8	-1.8
17. Kansas City.....	266.6	-10.0	-7.3	266.6	-10.0	-7.3
18. Maryland and Virginia.....	286.1	-5.1	+0.2	286.1	-5.1	+0.2
19. North and South Carolina.....	218.4	-2.6	-0.1	218.4	-2.6	-0.1
20. Atlanta and Birmingham.....	212.2	-4.3	-4.8	212.2	-4.3	-4.8
21. Florida.....	233.9	-5.3	-14.8	233.9	-5.3	-14.8
22. Memphis.....	264.4	-5.9	-8.0	264.4	-5.9	-8.0
23. New Orleans.....	248.8	-4.2	-0.7	248.8	-4.2	-0.7
24. Texas.....	266.0	-4.9	-4.3	266.0	-4.9	-4.3
25. Denver.....	262.5	-7.1	-6.9	262.5	-7.1	-6.9
26. Salt Lake City.....	262.6	-7.1	-6.9	262.6	-7.1	-6.9
27. Portland and Seattle.....	251.9	-8.5	-7.2	251.9	-8.5	-7.2
28. San Francisco.....	260.0	-5.7	-5.4	260.0	-5.7	-5.4
29. Los Angeles.....	278.0	-3.4	-8.8	278.0	-3.4	-8.8

BANK CLEARINGS (Thousands of Dollars)

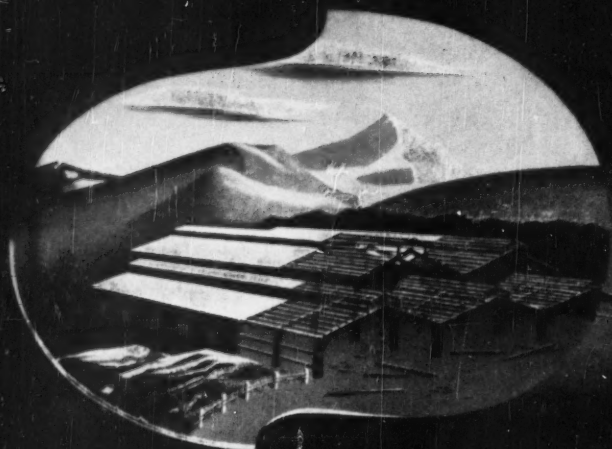
	December 1949	December 1948	% Change
Total 24 Cities.....	28,763,230	31,086,638	-7.5
New York.....	35,101,581	36,431,750	-3.5
Total 29 Cities.....	64,708,211	67,518,478	-4.2
Average Daily.....	2,420,201	2,500,961	-3.2

BUILDING PERMIT VALUES—215 CITIES

Geographical Division.....	December 1949	December 1948	% Change
New England.....	\$27,110,952	\$14,063,480	+94.2
Middle Atlantic.....	61,003,158	77,845,000	-21.5
South Atlantic.....	28,016,311	31,428,555	-11.2
East Central.....	38,248,704	48,190,790	-20.6
South Central.....	46,405,530	51,466,420	-9.8
West Central.....	22,180,045	14,371,387	+54.4
Mountain.....	7,122,524	6,436,684	+10.7
Pacific.....	\$9,229,667	39,800,431	-77.0
Total U. S.....	\$310,418,800	\$275,932,434	+12.7
N. Y. City.....	41,790,000	\$46,114,075	-9.7
Outside N. Y. City.....	\$68,618,800	\$320,818,357	-78.5



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and for the number of business days in the month.

The final barometer of 276.8 for November was 3.0 per cent below the October level and 6.7 per cent below a year ago. Comparisons with the previous month varied from 13.8 per cent below a month ago in the Florida Region (21) to 4.6 per cent above in the Philadelphia Region (6). All barometers were below a year ago, the sharpest drop being 15.5 per cent for the Pittsburgh Region (7).

Failures While business failures declined slightly to 770 in December from 835 in the previous month, the total number of failures in 1949 was the highest for any year since 1942. Casualties in 1949 numbered 9,246, about 76 per cent above the preceding year, but 32 per cent below pre-war 1940.

The failure rate, as reflected by DUN'S FAILURE INDEX, rose to 34 per 10,000 concerns in operation as compared with 20 in 1948 and 63 in 1940. While at the highest level in seven years, the casualty rate was lower than in any pre-war year on record.

Liabilities dropped moderately in December to \$19,251,000 from nearly \$23 million in November. Current liabilities involved in 1949 failures totalled \$308,109,000, the heaviest volume since 1935. The average liability per failure, however, after reaching a peak of \$59,000 in 1946, fell to \$33,000 in the year just ended. The average liability in 1940 was \$12,000.

All the geographic regions of the country reported a larger number of failures in 1949 than in the previous year.

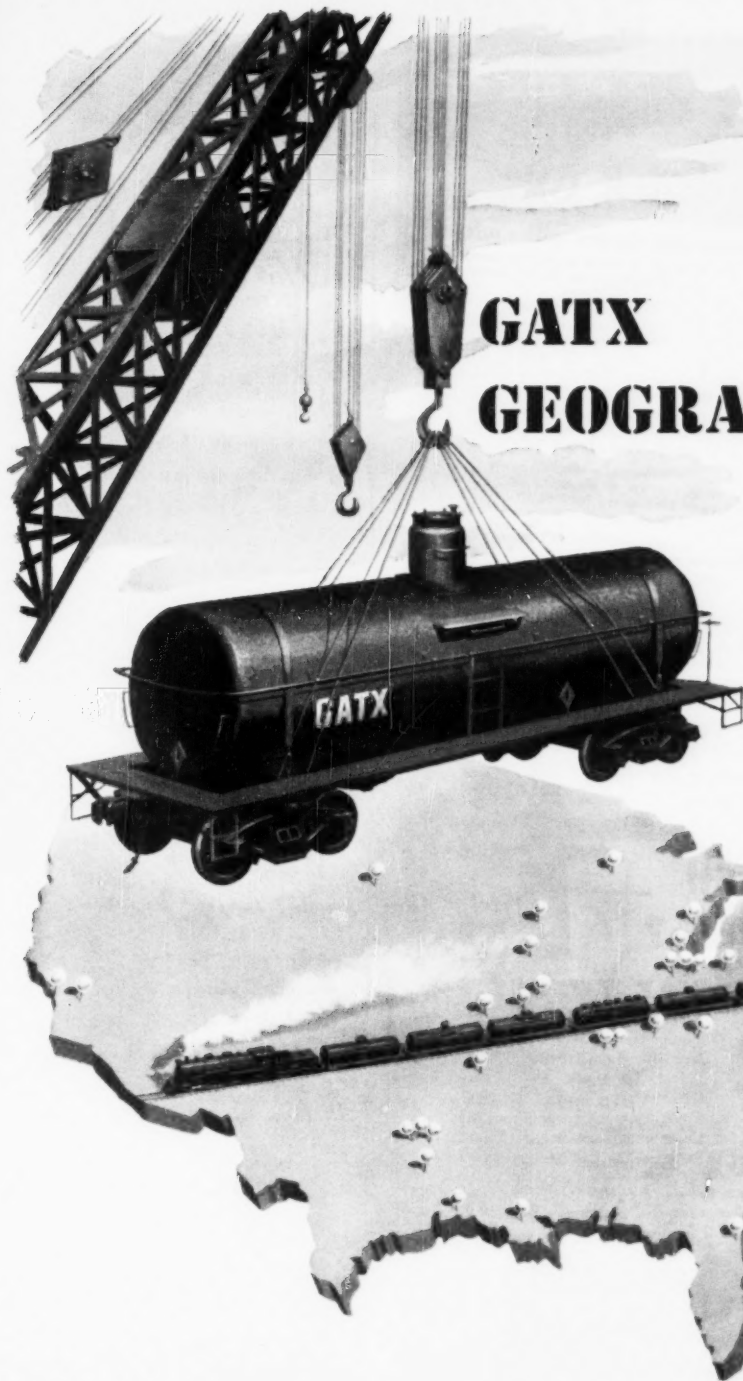
THE FAILURE RECORD

DUN'S FAILURE INDEX*	Dec. 1949	Year 1949	Year P. C.
Unadjusted	33.0	34.4	20.4 + 63
Adjusted	34.0	35.0	20.4 + 63
NUMBER OF FAILURES...	770	9,246	5,280 + 70
NUMBER BY SIZE OF DEBT			
Under \$5,000	102	1,005	846 + 10
\$5,000-\$10,000	494	4,546	2,794 + 66
\$10,000-\$100,000	179	2,347	1,268 + 79
\$100,000 and over	35	538	897 + 10
NUMBER BY INDUSTRY GROUPS			
Manufacturing	201	2,331	1,481 + 37
Wholesale Trade	90	1,119	664 + 60
Retail Trade	349	4,346	2,185 + 94
Construction	8	818	481 + 51
Commercial Service	40	731	470 + 31

CURRENT LIABILITIES (in thousands)
\$19,251 \$23,100 \$24,620 + 31
TOTAL LIABILITIES

* Anytime annual failures per 10,000 enterprises formed by dividing DUN'S FAILURE INDEX by 100.

† Per cent change of year 1949 from year 1948.



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“our only regret...we did not start using your Commercial Financing Plan sooner”

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We used over 1,500,000 of your money during our first year of business relations. That money not only helped us finance larger production and sales, but the flexibility of your service helped us to finance unwieldy log inventories in peak seasons of the year. One more point is that you have made it possible for us to buy certain machinery and equipment to cut production costs.

We like doing business with Commercial Credit. Your executives have a thorough understanding of business problems, and we have found them always ready to be helpful.

Yours very truly,

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an Adequate
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Stung by the tail of a scorpion
Gravity loosens its grip
On the hide of a hellion
Who scorches the sky
Through a curve of silence
While sound stumbles backward
In the tangled air.

The monster with open mouth
Sucks food from runnels of light
Washing blue space
Through a furious gut.

Tiptoe on the flattened world
The watchers are asking their eyes
If a dragon that swallows flame
Can burrow a hole
In the sagging roof of the morning.

Upon a ladder of smoke
The monster touches the zenith
But gravity roused from its spell
Reaches toward rafters of sunlight
And drags the scorpion down
To a crevice of earth.

A. M. SULLIVAN

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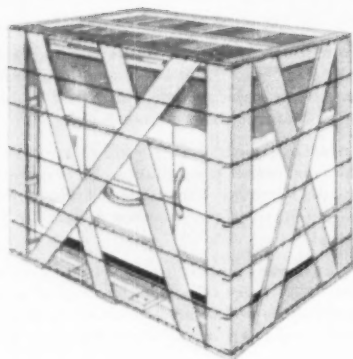
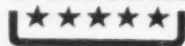
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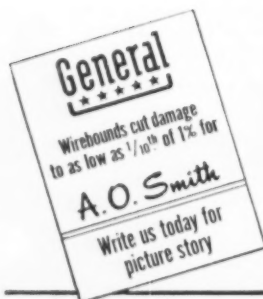
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Company, Inc., Houston, Dallas.



WAGE-HOUR

(Continued from page 27)

a bona fide collective bargaining agreement under which he does not work more than 2,240 hours during any period of 52 weeks, and, where he is guaranteed not less than 1,840 hours (or not less than 46 weeks where normal weekly hours are not less than 30) and not more than 2,080 hours, provided he also receives overtime for all hours in excess of the guaranteed hours which are also in excess of 40 hours per week, or, in excess of 2,080 hours.⁵

3. *Seasonal Industries:* Overtime is payable during not more than 14 weeks in any calendar year in any industry found by the Administrator to be "seasonal."

4. *Processing of Certain Agricultural Products:* Overtime is not payable in the case of certain operations of certain agricultural products, either at all, or during not more than 14 weeks in any year.⁶

Important changes were made in the method of calculating overtime. The result achieves greater certainty and some relief from the cost of overtime.

1. *Overtime Rate:* Overtime is pay-

⁵ An example will explain this provision. An employee is guaranteed 1,840 hours of work over 52 weeks. He actually works 2,100 hours. Up to 1,840 he need not be paid overtime, except over 12 hours daily or 56 weekly. Between 1,840 and 2,080 hours, he puts in a week of 48 hours one day of which is 14 hours. He must receive overtime for the 8 hours over an and for the 2 hours over 12. Between 2,080 and 2,100 hours, he must receive overtime for each hour, since the maximum guaranteed hours permitted (2,080) have been exceeded. Finally if his total hours exceed 2,240, the entire plan becomes invalid from the beginning and overtime becomes payable week by week for his past work, as in the normal case. The old Act limited employment under an annual wage plan to 2,080 and, if exceeded, the entire exception from overtime was lost.

⁶ This provision is unchanged, except that "buttermilk" is added.

THE BAROMETERS

The DUN'S REVIEW Regional Trade Barometers, including back figures by months from January 1939; by years from 1935, adjusted for seasonal variation, together with additional material, are available in pamphlet form.

Other helpful information has also been reprinted for those who are interested in regional variations in trade volume. They are entitled, "How Consumer Buying Varies Seasonally in 29 Regions"; and "How to Use Regional Trade Barometers."

BUSINESS IN MOTION

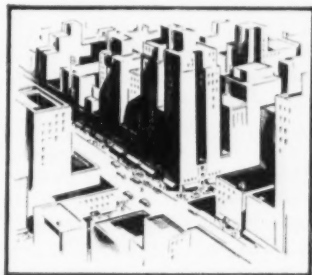
To our Colleagues in American Business . . .

Because everybody spends a lot of time indoors, under a roof of one kind or another, the building industry has always been of prime interest to Revere. There are two reasons for this concern. One is the obvious consideration — a good, weather-tight, long-lasting building should contain adequate amounts of sheet copper in the appropriate places. The other is our feeling that, as a leading producer of sheet copper, we have an obligation to the public to see that there is an understanding of the economy and satisfaction obtained through the correct use of this metal for waterproofing.

Hence Revere some years ago embarked upon an extensive program aimed at developing the engineering principles, specifications and designs for successful application of sheet copper to all types of buildings. The information thus obtained has been freely published for all to follow, with assurance of lasting protection, whether for a home or a hospital, an office building, hotel or factory. Though anybody's copper can be used according to these specifications and designs, naturally Revere hopes it will be Revere copper, and indeed we are getting our share of the business. It is a great satisfaction to us not only to sell the copper, but to know that it is being applied in such a way as to give economical, enduring protection. This is especially important in these days of high labor costs, which make repairs due to the use of inferior materials or improper installation cost so much more than the price of good materials and workmanship, if used in the first place.

Now Revere has expanded its service to the building trades by offering solid copper flashing for

masonry construction. The flashing is of chief interest to those designing and building large commercial structures, though of course it is also applicable to the private homes built of brick and stone. There is now available thru-wall flashing for economical and enduring protection against seepage and leaks at copings, parapets, belt courses, sills, spandrel beam facings and similar masonry applications. There is a reglet and reglet insert, also of solid copper, for waterproofing spandrels at costs comparable with or less than mopped-on waterproofing. There is vertical rib siding for use on high parapet walls, penthouses, and so on. All these items are pre-formed, and the simple directions for their use can be easily followed by any contractor, builder, or sheet metal worker. These new Revere Copper Products are available through sheet metal distributors throughout the country.



Though we have given these new items the widest possible publicity, we realize that in this vast country it is unlikely that absolutely everybody concerned will learn immediately about them and how much they can add to true economy.

It takes time for news to get around. This time-lag is a problem for every company offering a new service or product. Recently we saw an advertisement of an important industrial material (felt) in which it was suggested: "Write us what you make, and benefit by our constructive ideas." That is good advice. Revere therefore recommends that no matter what you buy, whether metals or felt, chemicals or plastics, building materials or containers, you give your suppliers the opportunity to collaborate with you on the selection and application of new as well as old materials.

REVERE COPPER AND BRASS INCORPORATED

Founded by Paul Revere in 1801

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Based on a process conceived in 1914, involving a scientific method of water absorption control, the Kalman Floor Company has pioneered and developed a method of securing harder, tougher, longer lasting cement floors.

Founded on the development of this idea, the Kalman Floor Company has installed over 250,000,000 square feet of cement flooring during the past 34 years for America's leading industrial and institutional organizations.

But the process alone did not insure success. In carrying out its contracts, Kalman set new standards of quality, workmanship and integrity in the building trades. Today Kalman is recognized as the leader in the cement floor topping field. A new booklet just issued tells what to look for in a floor and describes the Kalman process.

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able over 40 hours weekly, at not less than one and one-half times the "regular rate" at which an employee is employed, whether on a salary, hourly, or piece-rate basis. His "regular rate" equals his average hourly earnings for his weekly non-overtime or straight-time hours. Non-overtime hours are usually, but not necessarily, 40 hours.

2. *Payments Excluded from "Regular Rate"*: In calculating an employee's regular rate, the following payments need not be included:

(a) *Bonuses*: Gifts, or payments in the nature of gifts, received at Christmas or special occasions, as a reward for service, provided the amounts are not calculated on the basis of hours worked, production, or efficiency. A bonus expressed as a percentage of an employee's total earnings is clearly proper.

(b) *Payment for Holidays, and so on, Not Worked*: Where payment is made, although no work is performed, as for vacations, holidays, illness, failure to provide work, or other similar cause, for reimbursable travelling or other expenses, and other similar payments "not made as compensation for his hours of employment."

(c) *Unexpected Bonuses, Saving Plans, Talent Fees*: Sums paid in recognition of services performed during a given period, if (1) determined by the employer solely, at or near the end of the period, and not payable by prior agreement or promise "causing the employee to expect such payments regularly" (unexpected bonuses) or (2) if paid under profit-sharing or savings plans, as regulated by the Administrator, or (3) payments to performers on radio and television programs as talent fees, as regulated by the Administrator.⁷

(d) *Welfare Plans*: Contributions irrevocably paid by the employer to a trustee or third person under plans for old-age, retirement, life, accident, health insurance, or similar benefits. This does not change the old rule.

(e) *Overtime*: Premium pay for work over 8 hours daily or 40 hours weekly, or over the employee's normal hours. The premium need not be at not less than one and one-half times the regular rate, but may be less or more. This provision codifies the old rule.

(f) *Premium Pay for Special Days*

Worked: Premium pay for work on Saturdays, Sundays, holidays, regular rest days, or on the sixth or seventh day of the work-week, provided the extra payment is at least one and one-half times the straight-time hourly rate established in good faith for similar work. The work-week is any 7 days. This provision applies to compensation for hours not normally worked.

(g) *Premium Pay for Work Outside Normal Hours*: Premium pay payable by contract for working outside of the normal weekday (of not over 8 hours) or the normal workweek (of not over 40 hours), as established by agreement, provided the premium is at least one and one-half times the straight-time hourly rate established in good faith for similar work.

3. *Allowable Credits Against Overtime*: Premium pay under subdivisions (e), (f), and (g) of section 2 above is creditable toward overtime due under the Act. For example, an employee works 8 hours on Sunday and receives \$1.50 for each hour, his regular rate being \$1. He works 50 hours in the week for which he would be entitled to 10 hours of overtime. Since he has already received a premium payment of \$4 for his 8 hours of Sunday work, he would be entitled to only \$1 additional for his 10 hours of weekly overtime. This should not be confused with any compensation he receives for Sunday, if he does not work on Sunday. Payments for hours not worked are not creditable against overtime, although they are excludable from the regular rate and hence do not increase overtime otherwise payable. (See subdivision (b)).⁸

4. *Payment of Overtime by Agreement as to "Basic Rate"*: An employer and employee may agree in advance upon what is called a "basic rate" upon

⁷ In a recent case the Court held that regularly recurring bonuses were includable in the regular rate, even though the employer was not bound by contract to give them, since they were "arrangements" upon which the employees had learned to rely. It would seem that this has been changed unless an actual "promise" is present. Such a promise, however, may be "implied" from the circumstances and need not be expressly made. The particular circumstances would govern. Subdivision (3) codifies the old rule and leaves the method to be regulated by the Administrator. Subdivision (3) is new and changes the old rule.

⁸ Another situation suggests itself. Suppose an employee is entitled to payment for holidays, whether he works or not, and \$1 to an hour if he works (his regular rate being \$1). The 10 cents over \$1 for each hour, if he works, is not creditable against overtime that may be due for the week, since it is not a premium payment. Being entitled to compensation without working, he is only receiving 10 cents an hour for his work. He would have to receive at least \$1 to an hour for his holiday work before so much as it could be credited against overtime due after 40 hours. Paragraph 4 above is retroactive.

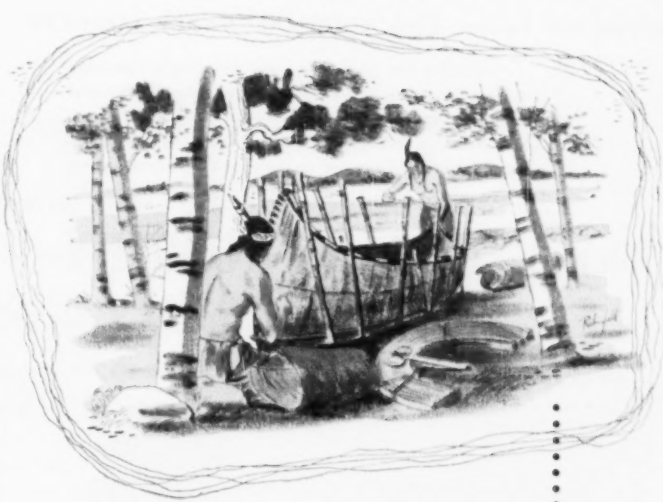
which overtime may thereafter be computed. It must be not less than the employee's average hourly earnings over a representative period of time, exclusive of overtime premiums, and not less than the required minimum. This method will be subject to Regulations issued by the Administrator. It applies to special cases where the calculation of wages is especially complicated.

5. *Overtime in the Case of a Single Piece Rate:* Where employment, by agreement in advance, is at a piece rate, overtime may be paid at not less than one and one-half times such piece rate, provided the employee's average hourly earnings for the week (excluding the 7 classes of payments listed in section 2 above) are not less than the required minimum. If he receives other forms of additional pay, he must receive overtime on such additional pay, if he works overtime.

6. *Overtime in the Case of Multiple Piece or Hourly Rates:* Subject to the same provisions as above.

7. *Guaranteed Weekly Wage for Fluctuating Hours:* Where an employee's weekly hours are irregular, a bona fide employment agreement may provide for a regular rate (not less than the minimum) plus overtime at not less than one and one-half times such rate, and a guaranteed weekly wage based upon such rates, up to 60 hours. The employee receives additional overtime only where he works more than the agreed maximum hours. However, for any hours in the week up to the maximum agreed hours, even if less than 40, he must receive the full guaranteed wage. This is the so-called *Belo Plan* which was ruled valid under the former Act and which Congress has now read into the law. Its advantage is the payment of a regular wage despite irregular hours.

This method of payment should be adopted with some care to avoid any charge that the employment agreement is not "bona fide." This might arise, for example, where an employee's hours have fluctuated in the past between, say, 35 and 45, and an agreement entered into under this provision provides for the maximum 60 hours permitted. In adopting this method, it would be advisable to fix maximum hours (up to 60) which reasonably reflect the probable weekly fluctuations of the em-



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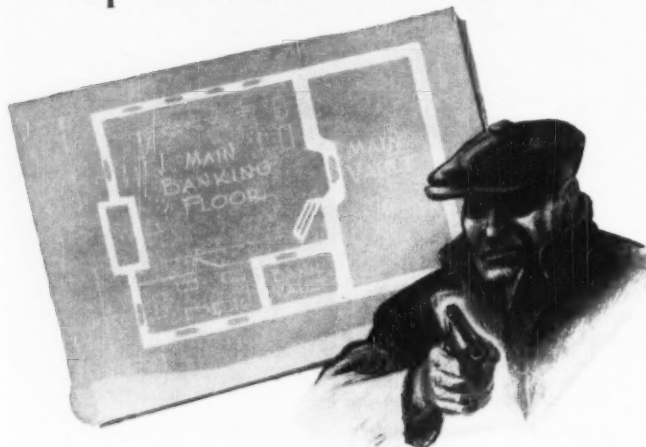


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In a large midwestern bank, plans were being made to remodel the vaults. When the plans reached the blueprint stage they were examined by American Surety Group's bank protection specialists. To the trained eyes of these men it was at once apparent that while adequate security would be provided for customer-owned property, the vault space for the bank's own property would be temptingly exposed. Our bank protection men knew that they were looking at a blueprint for bank robbery!

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employees, taking short weeks as well as overtime weeks into account.

Hours Worked

Hours or time worked includes all time during which an employee is required or permitted to work. This includes waiting time. Rest periods over 20 minutes are deductible if the employee is entirely free at such times.

Time spent in the following activities, if it is compensable work-time, need not be counted in determining the number of hours worked for calculation of minimum and overtime compensation.

1. Walking, riding, or travelling to and from home to the place of the employee's principal activities, and

2. Activities preliminary to or following such principal activities, including time spent in changing clothes or washing, if excluded by custom or practice under a collective bargaining agreement, *provided*, under 1 and 2, such activities take place before the beginning or after the end of the workday, *unless*, such activities are expressly payable by contract, custom, or practise at the employee's place of employment."

The provisions above do not make any of such activities compensable time worked. For example, the ordinary changing of clothes is not time worked and is not compensable and need not be counted, even if paid for. The changing of clothes where required is time worked and would ordinarily be compensable, but is, nevertheless, excluded *unless* paid for by contract, custom, or practise at the employee's place of employment. All wages paid for these activities must, however, be totalled in determining the regular rate.

9 In a case in the Federal court in Nebraska, the Administrator took the position that time spent in changing clothes where required and necessary for the job was not activity and hence not a preliminary or after work activity. The Court ruled otherwise. The question, however, is still open in other jurisdictions. The same Court also ruled that the 46 minutes involved each day before and after work were "de minimis," that is, insignificant and not subject to suit. In *Bonner vs. Elizabeth Arden, Inc.*, 37 Labor Cases 76, 475, employees sued for time travelling and changing clothes because it was payable by the custom of the industry. The Court ruled this out on the ground that the law required payment at the place of employment. In *Newcom vs. Du Pont*, 173 F. (2d) 896, employees suing under contract for preliminary and after-work activity were denied recovery because the contract did not expressly describe the particular activities, intended, as required by the Act. These cases suggest the situation that must be given to the precise language of the law if the many pitfalls which lie about for the unwary employer and employee are to be avoided.

The broad exemptions provided by the Wage Hour Act for executive, administrative, and professional employees will be presented in March.



Privilege of Immediate Payment

To the Holders of All Outstanding

CITIES SERVICE COMPANY

5% Gold Debentures Due 1958, 1963, 1966, and 1969

Aggregating \$41,569,700 in Principal Amount

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Holders of the above issues who desire to avail themselves of the privilege of immediately receiving the redemption price, may surrender their Debentures with all unmatured coupons attached to the respective Trustees of such issues at their respective offices listed below. Ownership certificates should accompany all coupons presented for payment.

Debentures registered as to principal must be accompanied by proper instruments of assignment in blank where payment to anyone other than the registered holder is desired.

CITIES SERVICE COMPANY

By: W. ALTON JONES

President

January 3, 1950.

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are to be presented to:

Central Hanover Bank
and Trust Company
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Debentures due 1966
are to be presented to:

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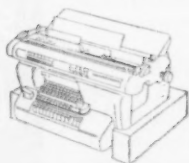
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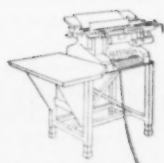
Remington Rand, with its more-than-twenty thousand business products, has 20,000 tools to help you save money. For we have found that most "overhead" costs can be reduced . . . by examining time-worn methods . . . planning new procedures . . . integrating systems and equipment. And we can implement our recommendations by actually installing the equipment suggested, even training your personnel to use it.

If you would like to talk to one of our representatives about cost-cutting on a strictly "prove it to me" basis, please phone your local Remington Rand office. There is no obligation, of course.

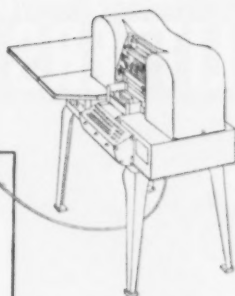
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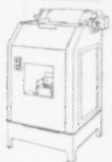


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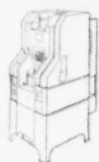


SYNCHRO-MATIC PUNCH

PUNCHED-CARD METHODS



TABULATOR

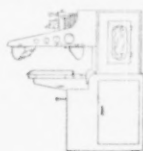


COLLATING REPRODUCER

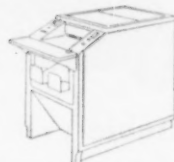
RECORD PHOTOGRAPHY



PORTAGRAPH

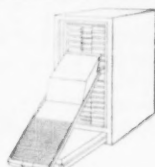


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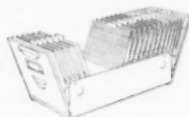


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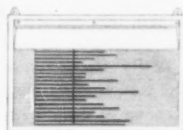
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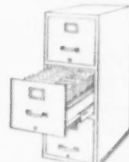
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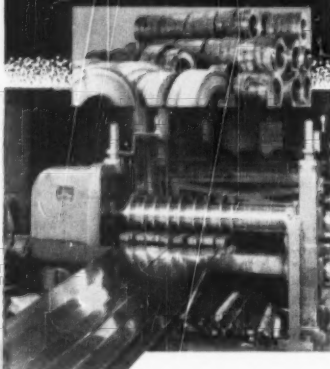
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PRICES—FAILURES

(Continued from page 21)

sequently is disclosed by the healthy or the unhealthy proportions of the various assets, liabilities, and expenses of a business enterprise. The causes of business failures which are manifestations of managerial ineptitude may be evidenced by inability to avoid conditions which result in heavy liabilities, excessive inventory, top-heavy fixed assets, excessive receivables, inadequate sales, heavy operating expenses, poor location, or competitive weakness. These conditions are fundamental expressions of managerial inefficiency, mental or physical lassitude, or rash judgment.

Each of these conditions, in turn, may be brought to light by one or several secondary factors or symptoms, such as poor business conditions, changes in the accepted technique of production and distribution, changes in styles and habits, introduction of substitute products, inadequate budgetary and accounting controls, and fluctuations in wholesale commodity prices. These factors are not basic causes, but they emphasize the effects of first causes and bring them out in bold relief. At times they are the background against which the initiatory principles of business management stand out.

Excessive Liabilities—The most obvious manifestation of managerial incompetence, inexperience, or neglect is the growth in the liabilities of a business enterprise to a point where they have become distinctly excessive. A business becomes financially involved when its liabilities are top-heavy, when

To conserve effort and paper the publishers of *Dun's Review* will appreciate notices of change of address as early as possible. Usually it is necessary to have four weeks' notice in which to make the change. The old address is needed; if it is possible to furnish a stencil impression from a recent issue that will be very helpful.

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A Report to the Bank's

88,243 Owners



The Chase National Bank recently sent to shareholders its Annual Report for 1949, and at the same time released it to the press so that the public could be informed of the Bank's activities during the past year.

In brief, during 1949 the Chase—

Earned \$19,464,000 net (\$2.63 per share, compared with \$2.37 per share in 1948);

Paid \$11,840,000 in cash dividends (\$1.60 per share), amounting to 60.8% of net earnings and profits;

Paid \$24,356,000 in salaries to 6,800 members of the clerical and official staff in New York;

Increased its capital funds to \$345,000,000;

Increased its deposits to \$4,384,572,390;

Had loans of \$1,350,507,126 (net) to corporations, firms and individuals at the year-end;

Handled a daily average of 700,000 checks in New York.

These are highlights of an eventful year during which the Chase, as in the past three years, established new records for volume of transactions and number of customers served in New York, throughout the nation, and overseas.

Percy F. Everett

President

Arthur H. Hilditch

Chairman Board of Directors

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

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invoices cannot be paid according to terms, when the interest on a funded debt cannot be met, and when the current or funded debt cannot be paid or refunded at maturity. Because these definite financial obligations cannot be met, a compromise settlement is reached, or a petition in bankruptcy is finally filed either by the management of a business or by its creditors.

Managerial Incapacity

The history of all such cases would show that the liabilities had become heavy because of some one or several management decisions, or because of the lack of aggressiveness or preparedness to meet competitive conditions and practices. Possibly the management in immediately preceding years had drawn excessive salaries, permitted excessive dividends or withdrawals, operated at a loss, speculated in merchandise, or had onerous funded debts and excessive fixed charges. In other words, along with excessive liabilities, there would be found underlying managerial decisions which had brought the enterprise to its final resting place.

Top-heavy Fixed Assets—The second manifestation of managerial incapacity is found in top-heavy fixed assets. This condition, at the same time, indicates a lack of net working capital, and burdens the operating account with more than its normal share of yearly depreciation. Such a condition in a manufacturing enterprise results from the desire of the management to expand the capacity and the facilities of the concern generally during a period of good business. When the business cycle turns, the concern is distressed by idle plant capacity. Such a situation is doubly dangerous when new construction and additions to plant capacity are financed with borrowed funds.

The same situation occurs with retail establishments when large sums are spent to improve the front or the inside furnishings of a store, when an addition is made to an old store, and when new units are taken over either by purchase or by lease. This condition may also be brought about by continual heavy losses, withdrawals, or dividends for several years by the management which at an earlier date had maintained a satisfactory relationship between fixed assets and tangible net worth.



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New York State wholesalers do more business than those of any other state—190% more business, according to the latest census, than the next highest state; and 26% of the nation's total wholesale business! For more facts, write: N. Y. State Dept. of Commerce, Room 206, 112 State St., Albany 7, N. Y.

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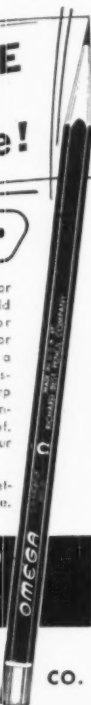
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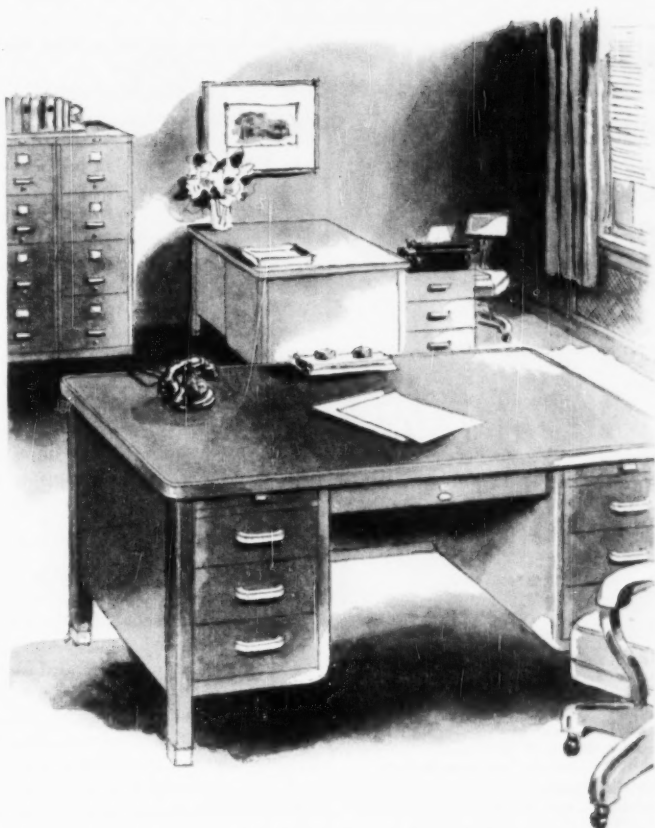
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An executive who would speculate in merchandise, who would purchase heavily in excess of his reasonable needs, and whose business would subsequently become bankrupt in the ensuing drop in wholesale prices, would certainly lack both knowledge and foresight. The drop in wholesale prices would not have been the cause of the failure, but merely the means through which the inexperience of the management became evident. The fundamental error was in deciding to pile up a heavy inventory, far in excess of reasonable needs.

There are indications that fluctuations in wholesale commodity prices have a greater effect than most other factors in aggravating an already unsound financial condition resulting from managerial incompetence. Business failures generally decrease when



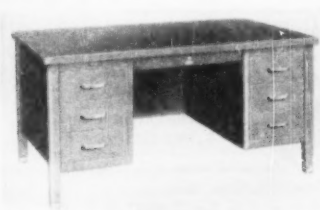
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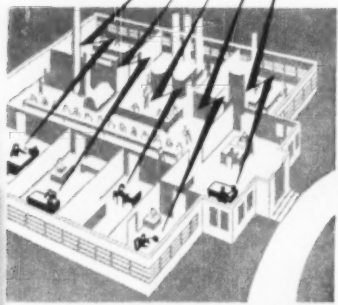


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wholesale prices rise and increase when wholesale prices decline.

During the years from 1926 to 1932 when wholesale prices were drifting lower and lower, DUN'S FAILURE INDEX which measures business failures per 10,000 concerns went up and up, reaching an all-time high of 154 in 1932. Then as prices went up, slowly but steadily to 1937, failures dropped lower and lower, reaching 46 per 10,000 listed concerns in that year. As the wholesale price level reacted down in 1938 and 1939, the failures crept up. Likewise, during the war years as prices increased, failures decreased. Finally the all-time low of failures was reached in 1945 when there were only 810 business failures for the entire year, giving a figure of 4 per 10,000 listed concerns.

Change in Business Failures

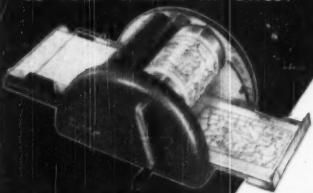
As prices increased following the end of the war, the index of business failures rose. The increases, however, were fairly moderate until 1948 and 1949 when the rate of failures jumped from 20 to 34. For 1949, the index of wholesale prices made its first decline since 1939. This negative correlation appears in a broad way on the chart on page 21.

There are more peaks and valleys in the movement of the index of failures since its start in 1870 than in the movement of the index of wholesale prices. There is, however, some general inverse relationship between these two indexes though for specific, isolated years such as 1879, 1880, 1929, 1946, 1947, and 1948 they do move in the same direction. On the other hand, the two lowest points in the failure index occurred in 1919 and 1945, both years in which tremendous increases in purchasing media had been reflected in the upswing of wholesale prices toward two of the great peaks of price inflation.

The inverse correlation which exists between the level of wholesale commodity prices and the number of yearly business embarrassments would seem to be quite normal. A very substantial number of the approximately 2,550,000 commercial and industrial business enterprises of the country, listed in the January 1950, *Reference Book of DUN & BRADSTREET, INC.*, are marginal enterprises. They are the concerns which had been organized with insufficient capital, which had

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taken losses for several years notwithstanding the high level of business activity, which had paid excessive salaries, declared excessive withdrawals or dividends, incurred heavy liabilities, or were carrying inflated receivables or heavy inventories.

Any moderate ailment will eliminate many of these marginal concerns from the field of business competition. Conversely, any factor which will assist, ever so slightly in turning a loss into a break-even operating statement, acts as so much oxygen administered to an ill patient. If oxygen is administered long enough, some recover.

Effects of Price Changes

There is no one factor which has such an immediate effect upon the well-being of a business enterprise as the level of prices of the raw materials which a manufacturing concern uses, or the level of wholesale prices of the products which a wholesale or retail concern handles. If the general level of prices of the products which a concern handles, goes up, its own selling prices may be raised and an unexpected profit thereby obtained on the inventory purchased at lower prices and already on hand. To a marginal enterprise, balancing itself on the brink of uncertainty, that means renewed vigor and a somewhat stronger lease on life.

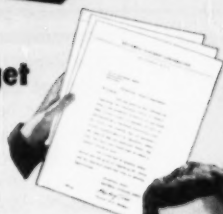
Conversely, when prices fall, the inventory on hand must be marked lower in order that it be sold competitively, and a loss is taken in that very process, a process which ends only in oblivion for many marginal concerns. That is how the level of wholesale commodity prices emphasizes the incapacities of operating managements. Businesses which are guided efficiently by skilled management, which keep liabilities, fixed assets, receivables, and inventories within reasonable bounds, takes the rise and fall of prices in the same powerful stride. In occasional years, losses are assumed, but such concerns rarely become financially distressed.

At the present time the Bureau of Labor Statistics in the Department of Labor compiles a wholesale price index, weekly, monthly, and yearly, "designed to measure average changes in commodity prices in primary markets in the United States." From 1931 to 1937, there were 784 different commodity



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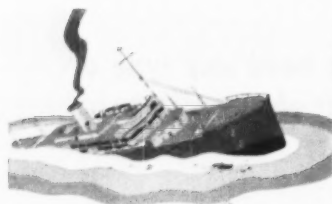


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series used in compiling this index, from 1938 to 1945, from 813 to 890 different commodities, and at the present, 860.

Separate indexes have been compiled monthly for 10 major commodity groups since 1890, and for 49 sub-groups since 1913. The ten major commodity groups are the following: food products, building materials, chemicals and allied products, hides and leather products, house-furnishing goods, metals and metal products, textile products, farm products, fuel and lighting, and miscellaneous.

Failure indexes for 1934 through 1949 have been prepared on the first seven of these major commodity groups, that is, on all except farm products, fuel and lighting, and miscellaneous.* Charts of these indexes appear in Mr. Foulke's pamphlet *Peaks and Valleys in Wholesale Prices and Business Failures*.

Commodity Prices and Failures

With minor exceptions, the indexes of wholesale prices and of business failures move in opposite directions to each other but in varying magnitudes for each of these seven broad commodity groups until about 1946 or 1947. In the hides and leather products lines, the house-furnishing goods lines, and the metal and metal products industry, the index of failures rose in 1946 as did wholesale prices. In each of the seven commodity groups, the indexes both of failures and wholesale prices moved up in 1947 and 1948. In all major groups failures increased in 1949, and in all groups except the house-furnishing goods lines and the metals and metal products industry, the index of wholesale prices decreased in 1949.

Since 1900 there have been three peaks in the broad cyclical fluctuations in the number of business failures: 22,156 in 1915, 23,676 in 1922, and the all-time high of 31,822 in 1932. Similar peaks in the failure rate per 10,000 of listed

* The failure index for each commodity group was obtained by dividing the number of annual failures (manufacturers, wholesalers, and retailers, engaged in producing or distributing products in the particular commodity group) by the number of concerns listed in the July issue of the *DUN'S BUSINESS REFERENCE BOOK* for that year. The average of the indexes from 1939 to 1949 was then taken as 100. The total number of listed concerns was used to construct this index in lieu of the fact that no figures are available giving the number of business concerns in existence primarily handling, in one form or another, the products listed in a particular commodity group. It is probable that the increase and decrease in the number of manufacturers, wholesalers, and retailers, producing and distributing related commodities would fluctuate in some relationship with the change in the number of all listed business concerns.

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Including Domestic and Overseas Branches But Not Including The Affiliated City Bank Farmers Trust Company

(In Dollars Only—Cents Omitted)

ASSETS	
Cash, Gold and Due from Banks.....	\$1,264,319,880
United States Government Obligations.....	1,902,584,206
(Direct or Fully Guaranteed)	
Obligations of Other Federal Agencies.....	33,038,025
State and Municipal Securities.....	315,078,023
Other Securities.....	90,859,706
Loans and Discounts.....	1,381,156,840
Real Estate Loans and Securities.....	560,011
Customers' Liability for Acceptances.....	19,194,542
Stock in Federal Reserve Bank.....	7,500,000
Ownership of International Banking Corporation.....	7,000,000
Bank Premises.....	27,021,458
Other Assets.....	3,675,648
Total.....	\$5,051,988,339

LIABILITIES	
Deposits.....	\$4,669,251,863
Liability on Acceptances and Bills.....	\$29,520,102
Less: Own Acceptances in Portfolio.....	6,559,133
Items in Transit with Branches.....	13,472,380
Due to Foreign Central Banks.....	9,527,700
(In Foreign Currencies)	
Reserves for:	
Unearned Discount and Other Unearned Income.....	8,053,790
Interest, Taxes, Other Accrued Expenses, etc.	25,778,521
Dividend.....	2,480,000
Capital.....	\$124,000,000
(6,200,000 Shares @ \$20 Par)	
Surplus.....	126,000,000
Undivided Profits.....	50,463,116
Total.....	\$5,051,988,339

Figures of Overseas Branches are as of December 23, 1949.

\$303,564,822 of United States Government Obligations and \$7,665,500 of other assets are deposited to secure \$220,807,891 of Public and Trust Deposits and for other purposes required or permitted by law.

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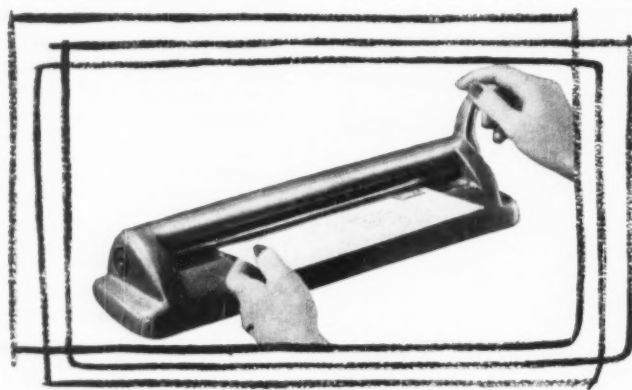
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business concerns occurred in these same years although there has been a fluctuating upward trend in the number of listed business concerns. The failure rate was 133 per 10,000 listed businesses in 1915, 120 in 1922, and 154 in 1932. The following table gives the number of yearly failures and the failure rate from 1900 through 1949:

	Number of Failures	Failures per 10,000 Concerns		Number of Failures	Failures per 10,000 Concerns
1900	10,774	92	1925	21,214	100
1901	11,002	90	1926	21,773	101
1902	11,615	93	1927	23,146	106
1903	12,069	94	1928	25,842	109
1904	12,199	92	1929	22,999	104
1905	11,520	85	1930	26,355	122
1906	10,682	77	1931	28,285	133
1907	11,725	83	1932	31,832	154
1908	15,690	108	1933	19,859	100
1909	12,924	87	1934	12,091	61
1910	12,652	84	1935	12,244	62
1911	13,441	88	1936	6,607	48
1912	15,452	100	1937	6,490	46
1913	16,037	98	1938	12,836	61
1914	18,280	118	1939	14,768	70
1915	22,156	133	1940	13,619	64
1916	16,993	100	1941	11,848	55
1917	13,855	80	1942	6,405	45
1918	9,982	59	1943	3,221	16
1919	6,451	37	1944	1,222	7
1920	8,881	48	1945	810	4
1921	19,652	102	1946	1,130	5
1922	23,676	120	1947	3,476	14
1923	18,718	93	1948	5,252	20
1924	20,615	100	1949	9,247	34

Since the all-time low in 1945 the number and rate of failures have increased each year. Notwithstanding this steadily upward trend over the past four years, the number of failures and the failure rate for 1949 were both strikingly low. This fact is evident from the following comparison of the average number of failures and the average rate of failures for successive decades from 1900 to the present time:

	Average Number of Failures	Average Failures per 10,000 Concerns
1900-1909	12,020	90
1910-1919	14,530	90
1920-1929	20,443	98
1930-1939	17,236	80
1940-1949	5,919	26
1900-1949	14,130	78
1949	9,247	34

The 9,247 failures which occurred in 1949 were materially lower than any of the ten-year average failure figures from 1900 to the present time with the exception of the current decade of 1940-1949; they were 23.3 per cent lower than the average from 1900-1909, 36.5 per cent lower than 1910-1919, and 55.0 per cent lower than 1920-1929. Moreover, the failures for 1949 were actually 34.8

per cent lower than for the fifty-year average of 1900-1949. From 1900 through 1941 there were only five years in which there were less than 10,000 failures. For 1949, failures were 7.9 per cent below that figure.

Failure Comparisons

A comparison of the failure rate for 1949 with the averages for these earlier decades is even more impressive. The 1949 rate of 34 failures per 10,000 listed concerns was 62.3 per cent lower than the averages for 1900-1909 and 1910-1919, 65.3 per cent lower than 1920-1929, and 56.4 per cent lower than the fifty-year average of 1900-1949. From 1900 through 1942 the lowest failure rate of 37 per 10,000 listed concerns occurred in 1919, and this was somewhat higher than that of 1949.

Since 1942 we have had an economic atmosphere and environment which has been conducive to large sales, substantial profits, a high level of employment, increasing hourly wage rates, substantial expenditures for new plants and equipment, and high personal savings, all of which were brought about by the pent-up demand of the war and by rising wholesale prices. Rising prices during and following major wars, as we have seen by the study of five critical periods in our history, are a consequence of the very substantial expansion in our purchasing media which was brought about by ever greater refinements in the technique of monetizing deficit financing of the Federal Government by commercial banking.

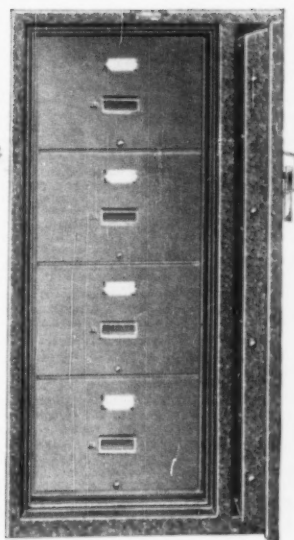
Here is the typical sequence of economic events which has played so great a part in the war and post-war economies with a decreasing number of business failures during periods of rising wholesale prices. Such periods invariably are followed by an increasing number of business failures during periods of falling wholesale prices.

Business failures are largely commercial and industrial enterprises which have discontinued operations following assignments, voluntary or involuntary bankruptcies, and such actions as reorganizations, liquidations, or attachments where losses to creditors have resulted, or where the concern withdrew voluntarily from active operations leaving unpaid obligations; also enterprises involved in court actions such as receiverships, reorganizations, or attachments which may or may not lead to discontinuance of operations; and enterprises reaching voluntary compromise with creditors out of court.

The liabilities incurred in business failures represent primarily current indebtedness, especially since the elimination in 1934 of certain types of enterprise bonds to have deferred obligations. For the purpose of the failure record, current liabilities are defined as including not only all accounts and notes payable, but also all obligations, whether in secured form or not, known to be held by banks, officers, affiliated companies, supplying companies, or the government.



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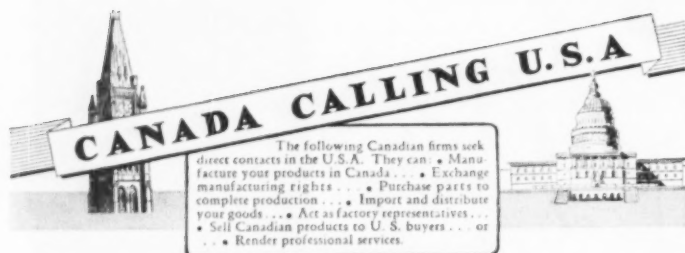


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FENERTY, FENERTY & McJILLIVRAY, Calgary, Alta. General practice. Oil and Corporation Law.
GILCHRIST & LaMARSH & ASSOCIATES, Barristers, etc., Canada Bldg., Saskatoon, Saskatchewan.
GOWLING, MacTAVISH, WATT, OSBORNE & HENDERSON, Barristers, etc., 56 Sparks St., Ottawa, Ont.
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THE AIRPLANE

(Continued from page 23)

cided against it and are following a practise which seems to allow them to have their cake and eat it, too. In certain large centers, flying service companies lease their aircraft to corporations for executive transport.

The flying service companies provide fully insured planes, with or without a pilot, and allow them to be based at the lessee's home plant. All maintenance work is provided by the service company at approved CAA shops. Advice is given as to what type of aircraft would best meet the particular needs of the lessee company. It is claimed that the annual cost of leasing such an aircraft is less than outright ownership, and a large original investment becomes unnecessary. This practise is now rather limited, but it may grow.

Executives of some companies also avail themselves of the speed and convenience of air travel by taking special flights in planes provided by local flying services. For example, many firms in the greater New York area subscribe to the Mallard Air Service, Teterboro Air Terminal, N. J. Mallard's fleet of planes is available for business trips up to 500 miles on a charter flight basis.

Taking the evidence as a whole, a good foundation for extensive business flying appears to have been laid during the past few years, and all indications point to substantial growth of this type of air transportation during the coming decade.

It all started in a very small way in



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Vice-President

T. H. ATKINSON
General Manager

Condensed Annual Statement

as on 30th November, 1949

ASSETS

Cash, cheques and balances with other banks.....	\$ 432,912,986.68
Government and other public securities, not exceeding market value	1,058,661,626.62
Other securities, not exceeding market value.....	116,817,041.92
Call loans	69,097,830.05
Other loans and discounts.....	584,168,935.78
Liabilities of customers under letters of credit.....	51,790,695.28
Other assets	21,536,237.81
	<u>\$2,334,985,354.14</u>

LIABILITIES

Capital, reserve and undivided profits.....	\$ 83,792,238.48
Notes in circulation.....	3,703,729.56
Deposits.....	2,192,140,578.62
Letters of Credit outstanding.....	51,790,695.28
Other liabilities	3,558,112.20
	<u>\$2,334,985,354.14</u>

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the mid-1930's. Actually, up to 1935 there were only four multi-engine executive planes in the entire United States, and a Dallas oilman bought the fifth in that year. To-day there are over 1,500 multi-engine executive aircraft in constant service.

The big expansion came at the end of the war when several thousands of Army Air Force and some Naval air transports became available through War Surplus. Several hundred military transports of the DC-3 and Lodestar types were converted to luxurious executive airliners between 1946 and 1948. A considerable number of the smaller utility transports and aircrew trainers of the Twin Beech type were modified for executive use, as were a few bombers for those who wanted faster aircraft.

This "swords into plowshares" operation affected for the most part the larger corporations. However, two aircraft manufacturers introduced sturdy and reliable four-place single-engine aircraft to the executive flying market during 1947 with such success that each had topped a 2,000 sales total by the end of 1949. More than 80 per cent of these planes were purchased for full time business use.

Economical Operation

One of these smaller planes was the Beechcraft Model 35 Bonanza the other was the North American Navion, now produced by the Ryan Aeronautical Co. Both of these aircraft have roughly the same performance, the Bonanza being slightly faster. During 1948 the deluxe Cessna four and five-place models were introduced with more powerful radial air-cooled engines. Beech also brought out a greatly improved post-war Model 18 known as the D-18S.

For most economical utilization, executive airplanes should be operated at least 400 to 500 hours per year. The 1948 average for business flying was 316 hours for the smaller twin-engined models and 280 hours for the larger planes. Many companies, however, use each of their planes between 750 and 900 hours each year.

An airplane on the ground is similar to a horse in the stable which consumes hay and oats whether or not it is properly worked. Company officials report that the fixed costs of aircraft

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ownership and operation, such as, pilot's salaries, hangar rental, insurance, and depreciation, represent between 60 and 65 per cent of the total annual cost.

The actual costs of flying the airplane and keeping it airworthy, for such items as gasoline and oil, landing fees, 100-hour inspections, 1,000-hour overhauls, and so on, represent the smaller part of the total cost. The costs per-flight-mile and per-passenger-mile decline considerably when the aircraft is used for a greater number of hours.

How much executive travelling does 500 hours represent? In the average twin-engine executive aircraft, 500 hours covers between 90 and 100 thousand miles. And 500 hours involves more than 60 eight-hour working days away from the office. An executive travelling the same distance by train would spend four or five times as many hours in transit.

The advantage from air travel would not be materially different with a single-engine aircraft which, with an average cruising speed of 160 miles per hour, would cover about 80,000 miles with 500 hours of annual use. The cost would be less than for the twin-engine craft. These planes can also land on smaller airports.

The post-war Beechcraft Model 18 sells for about \$75,000, complete. More than 500 have been sold since 1946, mostly on special order, with delivery within 45 to 50 days. Some 100 to 150

COSTS OF TYPICAL EXECUTIVE AIRCRAFT ASSUMED USED 500 HOURS PER YEAR

	BOEING OR NAVION 3 Passengers	BEECHCRAFT D-18 TWIN ENGINE 4 Passengers
INITIAL COST	\$12,000	\$75,000
FIXED CHARGES:		
Pilot's Salary	5,200	6,000
Hangar Rent	600	1,500
Insurance	900	4,200
Depreciation	1,900	12,300
	8,600	24,000
DIRECT OPERATING COSTS:		
Gasoline and Oil	2,400	10,200
Maintenance	1,800	4,200
Landing Fees, Pilot's Expenses	4,200	1,600
	5,400	16,000
TOTAL COST PER YEAR	14,000	40,000
COST PER FLIGHT HOUR	\$28.00	\$80.00
COST PER PLANE MILE	.155	.64
COST PER PASSENGER MILE	.051	.161

Another Example

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More multiple sales . . . better display . . . fool-proof separation of easily-jumbled units . . . lower handling costs . . . faster transactions on the sales floor! Those are five advantages any merchandiser is glad to find in a package—five advantages Montgomery Ward found in this Gardner-designed carry-out package for motor oil.

It keeps cans of one SAE weight from becoming mixed with cans of other weights, displays them attractively, eliminates wrapping and tying by busy clerks, and best of

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Do you have a product that's hard to package? An old product that needs new point-of-sale vitality? Or a new product that needs a new packaging idea? Get in touch with Gardner. We'll be glad to put our experience and ingenuity to work on it. No obligation, of course.

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other converted military Twin Beeches are also flying the executive airways. These were purchased at prices ranging from \$20,000 to \$30,000; their modification for executive use cost \$10,000 to \$15,000 or more depending upon the degree of comfort desired.

A few of these planes are usually available in the used plane market where their prices range between about \$20,000 and \$35,000. Numerically, the Beechcraft 18 is the most widely used and the most popular twin-engine executive transport in the world.

Among the increasingly popular single-engine light executive transports, priced between \$10,000 to \$12,000, the Ryan Navion and Beechcraft Bonanza are equally favored. During the past three years over 1,500 of each model have been sold for business use, and there are more than 100 different types of business users.

The four or five-place Cessnas have somewhat more powerful engines than the Navions or Bonanzas; they sell for \$14,000 and \$15,000, completely equipped for all weather flying. These latter three types of aircraft have generally proved so reliable and economical

to operate that the aviation departments of several corporations favor ownership of two planes in this class as against one large plane. It is often more efficient to have two planes heading out in different directions with two or three passengers in each than to have one big plane going to one place with only three or four people in it.

Fixed Costs

After the original cost of the plane we must consider such expenses as the pilot's salary, insurance, depreciation, and maintenance. The proper selection of a pilot is, obviously, vitally important. Corporation aircraft pilots are usually somewhat older than the scheduled airlines' pilots, having had a wide variety and thousands of hours of flying experience. Their salaries range between \$5,000 and \$6,000 per year. A co-pilot, who may double as a mechanic, is usually paid between \$4,000 to \$4,800 per year.

Executive aircraft are regarded as good risks by most insurance companies, partly due to the care which most firms exercise in choosing their pilots. Accident statistics covering the four

year period up to 1948 give the fatality index for automobile transportation as 8.53 persons per 100 million miles of travel as compared with 1.71 for the scheduled airlines and 0.50 for company owned and operated aircraft. This executive aircraft record is notable since business concerns in this country operate more multi-engine planes, and make a greater number of flights than the entire air transport industry.

Most corporation aircraft owners carry large amounts of Public Liability and Property Damage insurance. A typical arrangement might provide for payment of \$100,000 upon the injury or death of one person in a given accident and up to \$500,000 for property damage. This may cost between \$6,000 to \$8,000 per plane each year.

Many companies purchase life insurance policies for their top executives who travel in company planes. The large Mid-west manufacturer of farm implements, J. I. Case Co. provides a \$25,000 accident insurance policy for each person travelling in one of the company owned planes. It might be noted, however, that in nearly three years of operation with an average of

375 different passengers per year, there has not occurred a single accident.

Aircraft engines have a relatively long life if properly maintained and the well serviced airframe is exceedingly durable. The rate of aircraft depreciation may often be as low as 12 or 15 per cent per year. Most companies, however, prefer to write off the amount over a three to five year period as permitted by the Federal tax laws.

The approximate costs involved in maintaining two of the more widely used types of company plane are tabulated on page 55. Cost figures for the larger and more expensive planes often range from \$100 to \$150, or more, per flight hour, depending on the extent of utilization, method of figuring depreciation, etc.

Early in 1947 a number of corporations who owned and operated their own aircraft formed the Corporation Aircraft Owners Association, incorporated in New York State as a non-profit organization. Among the founders were the Armco Steel Corp., Champion Paper & Fibre Co., B. F. Goodrich Co., Howe Bros. Co., and Sinclair Refining Corp.

A considerable number of corporations, including some of the country's largest, such as Bethlehem Steel, J. I. Case Co., General Electric, and Lever Brothers, have become active in the CAOAA; the membership represents a strong cross section of aircraft using American industry.

The aims of the organization are several; chief among them is the representation of corporation aircraft owners as a united front in all matters where

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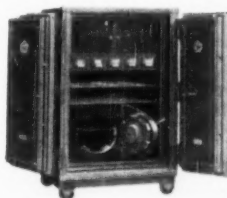
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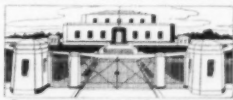


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RESOURCES

Cash on Hand, in Federal Reserve Bank, and	
Due from Banks and Bankers	\$ 586,973,444.91
U. S. Government Obligations	1,088,072,399.73
Loans and Bills Purchased	954,967,571.12
Public Securities	\$ 54,846,500.43
Stock of Federal Reserve Bank	9,000,000.00
Other Securities and Obligations	7,410,534.00
Credits Granted on Acceptances	9,613,956.14
Accrued Interest and Accounts	
Receivable	9,180,989.25
Real Estate Bonds and Mortgages	5,385,197.89
	95,437,177.71
Bank Premises	5,083,067.78
Other Real Estate	41,302.86
Total Resources	\$2,730,574,964.11

LIABILITIES

Capital	\$ 100,000,000.00
Surplus Fund	200,000,000.00
Undivided Profits	70,568,482.54
Total Capital Funds	\$ 370,568,482.54
Deposits	\$2,267,416,947.26
Treasurer's Checks Outstanding	32,439,051.74
Total Deposits	2,299,855,999.00
Acceptances	\$ 18,089,264.31
Less: Own Acceptances Held for Investment	7,598,836.57
	\$ 10,490,427.74
Dividend Payable January 3, 1920:	
Regular	\$3,000,000.00
Extra	2,000,000.00
	5,000,000.00
Items in Transit with Foreign Branches	1,724,703.38
Accounts Payable, Reserve for Expenses, Taxes, etc.	42,935,351.45
	60,150,482.57
Total Liabilities	\$2,730,574,964.11

Securities carried at \$118,968,736.80 in the above Statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

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WILLIAM L. KLEITZ
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organized action is desirable or necessary. An effort is made to guard against discriminatory legislation. There is also provided a means for the exchange of information through meetings and bulletins; safety and economy in the operation of business aircraft are furthered by the accumulation and distribution of vital data.

SECUROCRATS

(Continued from page 25)

heartily in agreement that never was there so effective, rewarding, or dynamic a system wherein men lived and worked together. Yet the very factors which make for the success of our economy and provide its rewards and opportunities are likewise the root causes of its problems.

Consider, for instance, its appalling complexity. Were Adam Smith to write his *Wealth of Nations* to-day he would probably end up with a book shelf. Great tomes are written just to explain single facets of our involution economy, such as its money supply or the marketing of milk. We now have books written just about the words we need to describe our activities as "economic men." Indeed singular words like "workman" and "boss" have given way to generalized terms like "labor" and "management." We belabor the alphabet trying to devise initialized names for the multifarious pieces of our unwieldy political and business world.

Consider then the plight of the young man, or woman, who is trying to gain an understanding of this system and environment of ours in which he or she is supposed to earn a living—and more important, to *live* that living in a worthwhile manner.

A careful examination of the books and curriculum, plus interviews with the teachers, of almost any local school system in the country, will show that the average student graduating from high school has at best only a meager and general knowledge of how our system works; and much of what he does know is implicitly critical of the

fundamentals of free competitive capitalistic enterprise. He will, for instance, know more about parity, subsidies, the TVA, and social security than about the functions of stocks and bonds, of profit and loss factors in the marketing process, or of the means whereby enterprises are started and grow. In spite of his library memorials, Carnegie is not a hero in our American textbooks, and neither are the corporations or their foundations whose funds and earnings are now the chief source of educational revenue.

Schools Don't Do the Job

For the minority of graduates who go on to college there will be more generalized courses which may be proportionately more productive of prejudice against capitalism than understanding of its functions. It is a common occurrence these days to encounter an outraged business man whose son or daughter has come home with an expensive sheepskin and a lot of suggestions that Pop is a "square" with views on life that are strictly old-fashioned "corn." There is added hollow irony in this situation when it is recognized that many of the finest academic buildings and, indeed, many entire educational institutions in this country were built by or are subsidized by business men and business enterprise.

It is not uncommon for the youth of any generation to affect an air of sophomoric know-it-allness. And the current "hep-cat" group are outstandingly authoritative in their attitudes. But the plain truth is that any such attitude is a defense mechanism to cover up the true state of confusion and insecurity beneath; and never was a generation of youth as confused and, therefore, as insecure as those just now coming to maturity.

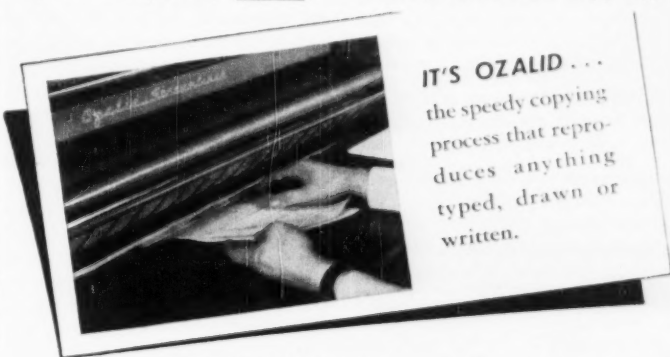
This in itself is significant, because if the education received at school does not provide an understanding of or answer youth's questions about democracy, free enterprise, the closed shop, socialized medicine, or how to get ahead in the world, he must turn elsewhere for answers—or act like he knows all the answers. Where can he turn?

Let's suppose he wants to get the facts in order to make up his own mind about socialism and whether it is actu-

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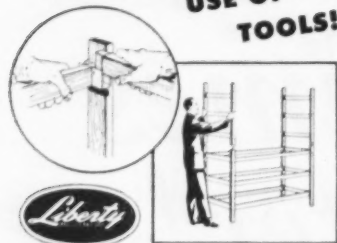
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ally a threat to the "American Way of Life," as it says on the business page. The chances of a typical American youth getting adequate answers from typical American parents are very slim. Surveys showing what such parents actually know about history, current events, and so on, plus other surveys showing their misinformation on facts about property ownership, profits, wealth accumulation, and the like, indicate it is very doubtful that they could provide satisfactory answers.

Business Men Are too Busy

Theoretically, this confused youth should be able to go to the business and community leaders, the Rotary Club members, or whoever it is whose business page statement prompted his curiosity. But the chances are remote. A fact-hungry high school student couldn't get in to see the average corporation president, or banker or lawyer, or chief accountant, purchasing agent, or engineer of any sizable "free enterprise" on a bet. And if he could get in to see them, they couldn't talk factual free enterprise vs. factual socialism with him in language of his own comprehension. Anyway, they are too busy.

On the other hand, he would probably get ready attention and quite a lot of information if he dropped in on almost any union local. He would probably come away with quite a burden of pamphlets well-written in his own vernacular and illustrated with cartoon characters. Of course, he could get a lot of management's pamphlets on the same subjects, too, if he knew where to write for them, but they'd be a lot tougher reading than the union material.

Now, admittedly, any of these efforts would require initiative, as does the pursuit of facts and knowledge of any sort; and comparatively few youths would keep at it with the small encouragement they would get on the average.

But there is always an easy substitute for the pursuit of one's own answers based on established facts; and that is to accept someone else's pat solutions without too much questioning of their plausibility. The assorted left wingers and merchants of something-for-nothing (as long as it was earned by somebody else) are well aware of this common human weakness. They are ready

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on every hand with glossy answers to the questioning of the confused, and are particularly anxious to provide the young with the pass-words to Utopia. The leftists are the chief eugenicists in breeding the new generation of securocrats.

On numerous American college campuses and in many of the high schools our questing youth can find some version of the Young Communist League or assorted "social discussion" or "political action" groups whose discussion leaders are zealous in their efforts to provide those missing answers—and they have an answer for everything.

No Bargains in Security

Whether these answers come from the junior grade campus pinks, the matured reds and off-color fellow travelers, or even from the misguided persons who are ever available as handy mouthpieces, the solutions are always simple and reassuring. But there is invariably a casually mentioned "if" as, for example, "We will guarantee to deliver the newborn babies *if* you will vote for this wonderful new Federal prenatal care bill. We will guarantee your child a standard education, *if* you will okay this subsidy (and regulatory legislation over the schools)," and so on.

There are no bargains in security. The price of just a little bit of Federalized security comes exceedingly high and the cost of totalitarian security is so great that no nation or people in history has ever been able to afford it. Yet, the vast majority of people in foreign lands are feverishly shopping for these something-for-nothing bargains; and in our own country, where even the "common man" is Midas-rich by comparison in both tangible goods and previous rights and freedoms, the bargain hunters grow more numerous daily. Such is the environment and such are the conditions on which securocracy grows.

The trend can be stopped by only one thing—factual knowledge of how our system works. And it will be stopped only when such knowledge is widespread enough so that the average man has sufficient understanding to prevent both himself and his children from following the false prophets of socialist salvation and sacrificing his wealth and

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CONDENSED STATEMENT OF CONDITION

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ASSETS

Cash and Due from Banks	\$ 432,295,401.24
U. S. Government Obligations	598,546,438.45
State, Municipal and Public Securities	103,725,216.73
Other Bonds and Investments	4,474,951.48
Loans and Discounts	436,846,231.70
Banking Houses	462,459.85
Other Real Estate	2,229,260.72
Credits Granted on Acceptances	9,300,865.86
Accrued Interest and Accounts Receivable	4,501,340.32
Other Assets	895,968.26
	<u>\$1,593,278,134.61</u>

LIABILITIES

Capital Stock	\$25,000,000.00
Surplus	75,000,000.00
Undivided Profits	13,623,976.55
Reserve for Contingencies	4,243,495.48
Reserve for Taxes, Expenses, etc.	4,468,600.40
Dividend Payable January 3, 1950	1,125,000.00
Acceptances Outstanding	\$13,513,761.04
(Less own acceptances held in portfolio)	2,119,875.96
Other Liabilities	8,767,476.65
Deposits	1,449,655,700.45
	<u>\$1,593,278,134.61</u>

Securities carried at \$58,472,642.30 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

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his freedoms on the altars of totalitarianism. The keystone question therefore becomes, "How can we bring about the widespread understanding necessary to preserve our way of life from the folly of experimenting with 'just a little bit of socialism'?"

Going back to our thesis, that a true understanding of both free enterprise and democracy is their best "defense," we more-and-more ignore and neglect the one major and adequate mechanism for insuring that understanding, namely, our *educational system*.

Our schools are our principal vehicle for teaching those things essential to living useful and rewarding lives. And one of the great virtues about our own "American way of life" is that our economic theories and our political principles are a part of that life, and not something imposed on us from without. What better place then to learn about them than in the same schools where we are acquiring the rest of our "living tools!"

Mounting Burden on Education

It is hard to realize that every new-born baby is a barbarian. And each successive year's crop of baby citizens has just that much more to learn before it can "catch up" with the amount of knowledge required to understand and participate in our modern society.

And just as the economics of our lives and the functions of our jobs and our business system are growing more complex, so are many other phases of life. But here is the crux of the matter; over a period of recent years less-and-less attention has been paid in our educational system to teaching the oncoming generations of youngsters how we live and work together in a free democratic economy based on private property ownership, production for profit, productivity and incentives, and a free competitive market.

Any objective person can quickly discover for himself that (1), the average school curriculum and its textbooks provide an inadequate description of how our free society produces, distributes, and consumes its goods and services and rewards its various participants for their individual rôles, and (2), a great many textbooks, and a goodly number of teachers, too, are teaching ideas and theories about how

we live and work together that are contrary to the principles and operations of our free democratic system.

These and other equally alarming signposts raise the blunt question, "Who is going to do anything about this whole educational situation?" As a rule it is the mothers in a community who are chiefly concerned with school matters and children's education. But it is a demonstrable fact that, in spite of their school interest and good intentions, many women are inadequately informed about our economic and our business system.

A Challenge to Business Men

It is also an obvious fact that the school officials and teachers themselves either cannot or will not do much about it since they are the ones now doing a progressively less adequate job of informing successive groups of graduating youngsters on the operation, values, and rewards of our type of economic society.

The conclusion is inescapable that unless and until the business men themselves in every American community—the production managers, the merchants, the technicians, the professional men, the foremen, and indeed the workmen whose sons and daughters have an equal stake in our system along with the children of the wealthiest citizens—take a far more active and responsible rôle in guiding our school system and its program, the job will not get done.

It is ironic that the vast majority of members of local school boards in this country to-day are business men and professional people—men who not only are the chief owners and beneficiaries of our system, but who are also the men who make it work. They are the getters-of-things-done in their home towns. But they apparently fail to place sufficient emphasis on problems involving education, especially on education about business in contrast to education about the other "arts and sciences."

As a commentary on the mild interest taken by business men in our educational system, only two out of the past 51 graduation exercises held in the schools of one large American city have been addressed by business men. Two others have been addressed by osteo-



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- 1 My floors don't need to look pretty, so they don't have to be polished TRUE OR FALSE?
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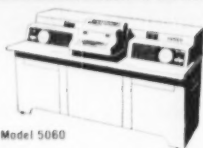
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paths; one by a registered nurse; and about 20 by labor leaders.

In contrast to this business-education relationship in America, it is worth noting that the number one concern of all competitive, dictatorial systems is ceaseless and complete indoctrination of their young people. Not only do they teach them the complete theory and principles of their economic life, but they teach them almost nothing else, except blind obedience to arbitrary authority.

To-day, in contrast, our educational system is one of the weaker links in our struggle to defend our American way of life. It is one of the weaker supports of our free enterprise system, yet it is supported almost exclusively by the proceeds of our wealth-producing economy run by business men. It is the common responsibility of every citizen and parent. It is something that practically every citizen, irrespective of his job or station in his community, can do something about. It is something that business men in particular should do something about, and the time is long overdue.

Things You Can Do

One of the best things you can do to insure that your business and the other privately owned and operated enterprises in your community will continue as free institutions is to see to it that the young people who are next in line to take over their ownership and operation understand the rules of the game. Our peculiarly successful economic system is neither perfect nor sacred. But without it none of the other free institutions which we do hold sacred and inalienable will very long endure.

In short, the values at stake more than justify a reasonable amount of the time of even the busiest business citizens being devoted to strengthening the school systems of our communities. And it takes a great deal more than mere tax dollars.

Why not begin in your town by talking things over with your business associates and neighbors? Then make it a group project, either informally or through some suitable local organization, to look into your own community school system.

As a starter, visit the schools themselves. Talk to the principals and teachers. They'll be surprised to see



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you and will appreciate your interest. Get acquainted with the school board members, too. They will welcome your interest in what is too often a thankless job. And the PTA, usually struggling along on the efforts of a half dozen mothers for every one interested father, will indeed be glad to see you.

But don't overlook the most important ingredients of any school system—the children and what they are learning. Visit some classes, talk to the students, read some of the books, and study some of the lessons yourself. Maybe a series of committees is in order to do the job thoroughly.

Questions to Ask Yourself

As a guide line for your inquiry, ask yourself, "Will a youngster going through our town's school system come out with a pretty clear idea of: how our economic system operates to create wealth, jobs, goods, and services to support our complex society; how its components are owned and its products divided; what the accepted roles and responsibilities are of capital, management, labor, and government in our society; why our arrangement of these factors is so demonstrably superior to competitive 'isms and 'ologies; what opportunities and rewards the system holds for individuals growing up in it and why; why constant vigilance is necessary to guard against the panacea artists who constantly suggest 'a little change here and there' to have the government 'guarantee' something that can only be assured by the individual's own work and thrift?"

You will find such inquiry a rewarding and revealing experience. And you may well be astounded at what is not in the textbooks, or in the students' heads, concerning things you assumed "everybody" knew about simple basic principles in the business world that you take for granted every day.

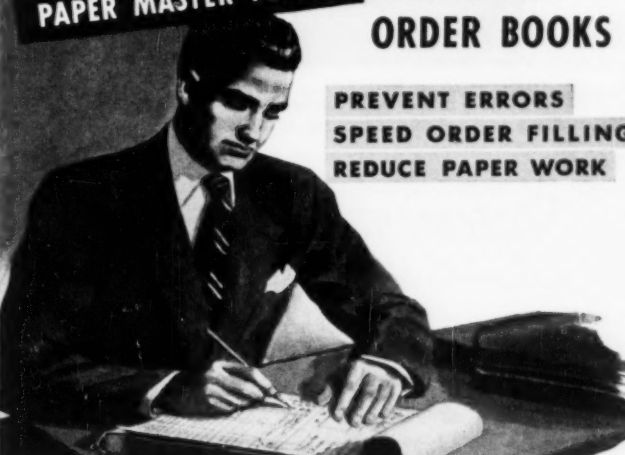
Perhaps you may decide that the schools can never fully acquaint students with the facts of life in your world of business and still teach them all the other things they need to know. So why not organize a program of plant tours, "career forums," or special meetings with local business associations where at least the high school students, soon to graduate into responsible citizenship, can find out at first hand what

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U. S. Government Obligations	353,652,218.37
State, County, and Municipal Bonds	49,768,927.31
Other Bonds and Securities	12,138,404.09
Stock in Federal Reserve Bank	983,800.00
Loans and Discounts	374,736,073.31
Bank Premises and Equipment	8,447,516.58
Other Real Estate	1.00
Customers' Liability under Letters of Credit and Acceptances	4,246,604.76
Accrued Interest Receivable and Other Assets	4,928,188.35
Total Resources	\$992,288,273.96

Liabilities

Deposits	\$937,432,332.12
Letters of Credit and Acceptances	4,656,880.86
Reserve for Interest, Taxes, etc.	5,007,767.41
Other Liabilities	5,248,892.02
Capital Stock	
Preferred	\$7,267,200.00
Common	\$9,480,620.00
Surplus	16,747,820.00
Undivided Profits	17,044,090.83
Total Liabilities	6,150,490.72
	\$992,288,273.96

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makes the economic world go round in their home town.

As a dynamic demonstration that there can be more to this kind of thinking than just more "paralysis by analysis," the business men of the Mahoning and Shenango Valleys in Ohio have formed an "Industrial Information Institute." Besides doing all of the obvious things essential to a better informed group of workers, investors, and neighbors, the 87 member companies of the "III" have faced squarely up to the key job of educating the youngsters in the area about the economic environment in which they will live and work.

Starting a Series of Books

The Institute's School Advisory Committee, working closely with the schools and all local industry, is actually writing and publishing a series of eleven full-sized school books for use in grades 2 through 12. Sort of McGuffey Readers brought up-to-date, the volumes thus far published carry such titles as "Our Neighbors Tell Us about Their Work" (for the third grade), and "Exploring Our Neighborhood with Our Friends" (for the fourth grade). The series will be used by 3,700 teachers to present the fundamentals of living and working in a free enterprise environment to 100,000 students who live in the area about whose economic life the texts are written.

If you as a business man and citizen will begin to do even some of these things in your home town, you will have struck a real blow for freedom. What is more, you will have done more to stem the growth of securocracy than those who decry its existence, but stop with decrying.

Above all do not be dissuaded from your purpose by fears of the "high cost of education." It is as nothing compared with the high cost of ignorance on which securocratic dictatorship feeds most fatteningly.

Mr. Hoover put this invidious relationship squarely to us in his 75th birthday address. The nation-wide press coverage given Mr. Hoover's statistics—on how one person out of every eight among our work force is already on a government payroll, and how the rest of us must work one week out of each month just to pay the re-

sulting "welfare state" tax bill—was enough to cause a lot of people to do just what he asked: "Think it over."

When enough people get to thinking it over, and have the facts to think with, about our growing bureaucracy and its causes, perhaps they will see in time to prevent it: that ignorance is essential to dictatorship; that dictatorship breeds on bureaucracy in government; that bureaucracy breeds in turn on securocracy among the people; and that it will take only one full generation of securocrats to produce a welfare state dictatorship in America.

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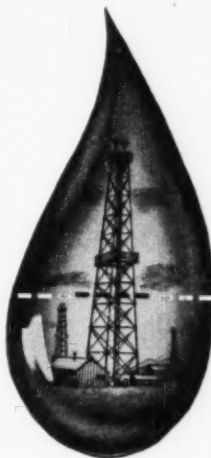
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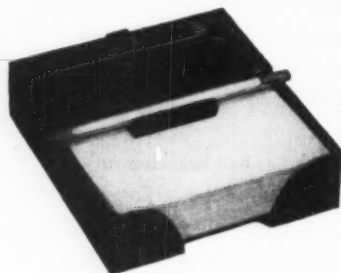
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Advertisers Index

(Advertising agencies—italics)

	PAGE		PAGE
AMERICAN SURETY GROUP	38	KALMAN FLOOR CO., INC.	36
Albert Frank Guenther Law, Inc.		Jones & Brakeley, Inc.	36
AMERICAN TRUST COMPANY	66	KELLOGG SWITCHBOARD AND SUPPLY CO.	42
McCann-Erickson, Inc.		Glenn-Jordan-Stoetzel, Inc.	42
ASSOCIATES INVESTMENT COMPANY	50	LEGG, WALTER G. CO., INC.	63
Doremus & Company		Royer & Royer, Inc.	63
AUTO-TYPIST, THE (American Automatic Typewriter Co.)	64	MAGLINE, INC.	
Frank C. Nahler, Inc.	64	Rossi and Company	56
BANKERS BOX COMPANY	60	MANAGEMENT PLANNING OF WASHINGTON, INC.	60
BEST, RICHARD, PENCIL COMPANY	44	MANIFOLD SUPPLIES COMPANY	
Samuel Groot Company, Inc.	60	Hart Lehman Advertising	54
BURROUGHS ADDING MACHINE COMPANY	52	MARINE OFFICE OF AMERICA	48
Campbell-Ewald Company	52	Prince & Company, Inc.	48
CANADA CALLING	54	MARSH STEEL MACHINE CO.	67
CARLTON HOTEL	54	Krupnick & Associates	67
Admeters Advertising, Inc.	43	McCloskey Company	30
CHASE NATIONAL BANK, THE	64	Bond & Starr, Inc.	30
Albert Frank Guenther Law, Inc.		MEYERJOHN WINGLER COMPANY	64
CHILKATA METAL STAMPING COMPANY	62	L. F. McCarthy & Company	64
CHEMICAL BANK & TRUST COMPANY	39	MOHLER SAFE CO., THE	57
Doremus & Company		Albert Frank Guenther Law, Inc.	57
CITY SERVICE COMPANY	39	MULTISTAMP CO., INC.	54
Albert Frank Guenther Law, Inc.		Stanley S. Gross and Associates	54
COLUMBIA RIBBON & CARBON MANUFACTURING CO., INC.	65	NATIONAL CITY BANK OF NEW YORK, THE	49
F. M. Freytag Associates, Inc.	16	J. Walter Thompson Company	49
COMMERCIAL CLEARING HOUSE, INC.	32	NATIONAL TRUCK LEASING SYSTEM	42
COMMERCIAL CREDIT COMPANY	4	J. Martin Rothhardt, Inc.	42
Van Sant, Dugdale & Co., Inc.		NEW YORK STATE DEPARTMENT OF COMMERCE	
CORPUS OF ENGINEERS, U. S. ARMY	4	Batten, Barton, Durstine & Osborn, Inc.	44
Gotham Advertising Company, Inc.	11	OTIS ELEVATOR COMPANY	17
CRAKE & COMPANY		G. M. Barford Company	17
Calkins & Holden	11	OXFORD FILM SUPPLY CO., INC.	54
DANT & RUSSELL, INC. (Denture Division)	61	Reiss Advertising	54
Carrel Nelson and Powell	61	OZALID (Div. of General Aniline & Film Corp.)	59
DENISON ENGINEERING CO., THE	61	The Bow Company, Inc.	59
Wheeler-Kight & Ganey, Inc.		PEERLESS LITHOGRAPHING COMPANY	62
DITADIONE CORPORATION	61	Pand Grant Advertising	62
Young & Rubicam, Inc.	46	PITNEY-BOWLES, INC.	50
DITTO, INC.		L. E. McGraw & Co., Inc.	50
W. W. Garrison and Company		RECORDAK CORPORATION (Subsidiary of Eastman Kodak Co.)	33
EASTMAN KODAK COMPANY (Industrial Photographic Division)	47	J. Walter Thompson Company	33
J. Walter Thompson Company	15	REMINSTON RAND, INC.	40, 41
FRANCO SERVICES INCORPORATED	68	Lechford Advertising Agency, Inc.	40, 41
Albert Frank Guenther Law, Inc.		REVERE COPPER AND BRASS, INCORPORATED	35
EXECUTIVE LINE, THE	46	St. Georges & Keve, Inc.	68
Kaplan & Bruck Advertising		ROBBINS, ALFRED, ORGANIZATION, INC.	68
EXECUTONE, INC.		Kaplan & Bruck Advertising	68
The Joseph Katz Company		ROYAL BANK OF CANADA, THE	53, 67
FELT & TARRANT MANUFACTURING CO.	55	Albert Frank Guenther Law, Inc.	53, 67
N. W. Ayer & Son, Inc.		SECURITY STEEL EQUIPMENT CORPORATION	45
GARDNER BROAD AND CARTON CO., THE	31	Kenyon-Baker Company	45
Stockton, West, Burkhardt, Inc.		SINCLAIR OIL CORPORATION	60
GENERAL AMERICAN TRANSPORTATION CORP.	34	Doremus & Company	60
Weiss and Geller, Inc.	60	SOULE, S. ALLEN	48
GENERAL BOX COMPANY	60	Hays Advertising Agency, Inc.	48
The Buchen Company	60	SPIERY GYROSCOPE COMPANY (Div. Spiery Corporation)	14
GIPS TRADING AND HOLDING COMPANY	60	Chas. Dallas Reach Co.	14
GLORI AUTOMATIC SPRINKLER CO.	60	TRINER SCALE & MFG. CO.	44
Marshall & Pratt Co.	58	J. M. Haggard Advertising	44
GUARANTY TRUST COMPANY OF NEW YORK	64	UNION STEEL PRODUCTS COMPANY	37
Albert Frank Guenther Law, Inc.		Ramsey-Perkins, Inc.	37
HALL, WALTER COMPANY, INC.	60	VOGEL-PETERSON CO.	46
Jack Knabb Advertising Co.		Ross Llewellyn Inc.	46
HAWTHORNE PAPER COMPANY	60	WATTS, ALFRED ALLEN CO., INC.	48
Stake & Schoonmaker Company	51	Myron Jonas Company	48
HERRING HALL MARVIN SAFE CO.	60	WILLARD EQUIPMENT, LTD.	52
H. M. Klingensmith Co.	60	YODER COMPANY, THE	42
INTERNATIONAL BRONZE TABLET CO., INC.	60	G. M. Barford Company	42
Will Burgess and Company			
INTERNATIONAL BUSINESS MACHINES CORP.	3		
Cecil & Presbrey, Inc.	67		
J. I. K. COPY-ART			
The Moss & Arnold Company			

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*For other interesting facts, see *Beards*, by Reginald Reynolds, published by Doubleday & Company, Inc., Garden City, New York.

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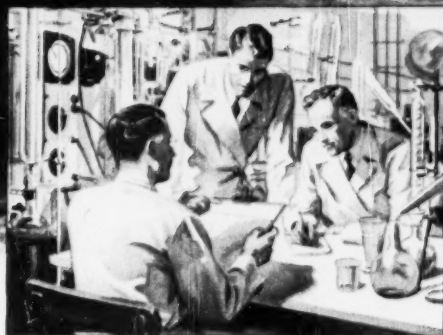


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